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BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

In the Matter of the Continued)
Costing and Pricing of) Docket No. UT-003013
Unbundled Network Elements and) Volume XVII
Transport and Termination.) Pages 1804 to 1937
_____)

A hearing in the above matter was held on
March 26, 2001, at 1:15 p.m., at 1300 South Evergreen
Park Drive Southwest, Room 206, Olympia, Washington,
before Administrative Law Judge LAWRENCE BERG and
Chairwoman MARILYN SHOWALTER and Commissioner RICHARD
HEMSTAD and DR. DAVID GABEL.

The parties were present as follows:

COVAD COMMUNICATIONS COMPANY, by BROOKS E.
HARLOW, Attorney at Law, Miller Nash, LLP, 601 Union
Street, Suite 4400, Seattle, Washington 98101.

THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION, by GREGORY J. TRAUTMAN and MARY TENNYSON,
Assistant Attorneys General, 1400 South Evergreen Park
Drive Southwest, Post Office Box 40128, Olympia,
Washington, 98504-0128.

QWEST CORPORATION, by LISA ANDERL, Attorney
at Law, 1600 Seventh Avenue, Suite 3206, Seattle,
Washington 98191.

VERIZON NORTHWEST, INC., by JENNIFER L.
MCCLELLAN and MEREDITH B. MILES, Attorneys at Law,
Hunton and Williams, 951 East Byrd Street, Richmond,
Virginia 23219.

Joan E. Kinn, CCR, RPR
Court Reporter

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1 RHYTHMS LINKS, INC. AND TRACER, by ARTHUR A.
2 BUTLER, Attorney at Law, Ater Wynne, LLP, 601 Union
3 Street, Suite 5450, Seattle, Washington 98101.

4 ELECTRIC LIGHTWAVE INC.; ADVANCED TELECOM
5 GROUP, INC.; AT&T COMMUNICATIONS OF THE PACIFIC
6 NORTHWEST, INC.; MCLEOD USA TELECOMMUNICATIONS SERVICES
7 INC.; FOCAL COMMUNICATIONS CORPORATION OF WASHINGTON;
8 AND XO WASHINGTON, INC.; by MARY E. STEELE, Attorney at
9 Law, Davis, Wright, Tremaine, LLP, 1501 Fourth Avenue,
10 Suite 2600, Seattle, Washington 98101.

11 WORLDCOM, INC., by ANN HOPFENBECK, Attorney
12 at Law, 707 - 17th Street, Suite 3600, Denver, Colorado
13 80202.

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1 P R O C E E D I N G S

2 JUDGE BERG: This is a hearing in Docket
3 Number UT-003013, captioned in the Matter of the
4 Continued Costing and Pricing of Unbundled Network
5 Elements and Transport and Termination. This proceeding
6 has also been referred to as the generic cost proceeding
7 or the new generic cost proceeding. It's also referred
8 to as Phase IV. This is in particular Part B of Docket
9 Number UT-003013.

10 My name is Lawrence Berg. I'm the presiding
11 Administrative Law Judge in this proceeding. The
12 commissioners will also preside at the hearing, and we
13 will be joined on the bench by their advisor, Dr. David
14 Gabel. Today's date is March 26, 2001. This hearing is
15 being conducted pursuant to a schedule that was
16 established in the 12th Supplemental Order in this
17 proceeding, and the hearing is being held at the
18 Commission's headquarters in Olympia, Washington.

19 At this point in time, I would like to take
20 appearances of counsel. I would like to have all
21 counsel, even though you have appeared on the record
22 before, because this is the start of the hearing
23 transcript, present all contact information. That would
24 be name, party you represent, address, telephone number,
25 fax number, and E-mail.

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1 And we will start on my far left with you,
2 Ms. Miles, and work around to the end of the table on
3 the right.

4 MS. MILES: Hi, I'm Meredith B. Miles for
5 Verizon Northwest, Hunton & Williams, 951 East Byrd
6 Street, B-Y-R-D, Richmond, Virginia 23219. Phone is
7 (804) 788-8200, fax (804) 788-8218.

8 MS. MCCLELLAN: Jennifer L. McClellan, also
9 representing Verizon Northwest at the same address as
10 Ms. Miles. We will also be joined later in the
11 proceeding by Jeffery Edwards, also at Hunton &
12 Williams.

13 JUDGE BERG: Ms. McClellan, oh, I'm sorry,
14 would you also provide your separate E-mail address?

15 MS. MCCLELLAN: Yes, Ms. Miles' E-mail
16 address is mmiles, that's M-I-L-E-S.

17 JUDGE BERG: I was looking for did we get
18 your E-mail address on the record?

19 MS. MCCLELLAN: Oh, I don't think so,
20 jmcclellan@hunton.com.

21 JUDGE BERG: Thank you.

22 MS. ANDERL: Your Honor, Lisa Anderl
23 representing Qwest Corporation. I'm an in-house
24 attorney. My business address is 1600 Seventh Avenue,
25 Room 3206, Seattle, Washington 98191, phone (206)

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1 345-1574, fax (206) 343-4040, E-mail landerl@qwest.com,
2 and Mr. John Devaney of Perkins Coie will be making an
3 appearance on Wednesday and also representing Qwest
4 Corporation.

5 JUDGE BERG: Thank you.

6 MR. BUTLER: Arthur A. Butler, Ater Wynne,
7 LLP, representing Tracer and Rhythms Links, Inc. My
8 address is 601 Union Street, Suite 5450, Seattle,
9 Washington 98101-3227. Telephone number (206) 623-4711,
10 fax is (206) 467-8406, E-mail is aab@aterwynne.com.

11 MS. STEELE: Mary Steele of Davis, Wright,
12 Tremaine, representing AT&T, ATG, ELI, Focal, McLeod
13 USA, and XO. I'm with Davis, Wright, Tremaine of
14 Seattle. The address is 2600 Century Square, Seattle,
15 Washington 98101, telephone number is (206) 628-7772,
16 fax is (206) 628-7669, E-mail is marysteele, all one
17 word, @dwt.com.

18 MR. HARLOW: Good afternoon, Your Honor.
19 Brooks Harlow with the Miller Nash, LLP Law Firm. We
20 are representing Covad Communications. Also to be
21 appearing next week will be Megan Doberneck, who is
22 in-house counsel with Covad Communications. And my
23 address is 601 Union Street, Suite 4400, Seattle,
24 Washington 98101, telephone (206) 622-8484, fax (206)
25 622-7485, E-mail harlow@millernash.com.

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1 MS. HOPFENBECK: Good morning, Your Honor, I
2 guess it's afternoon. Ann Hopfenbeck representing
3 WorldCom, Inc. I'm in-house counsel with WorldCom. My
4 address is 707 - 17th Street, Suite 3600, Denver,
5 Colorado 80202. My telephone is (303) 390-6106. Fax is
6 (303) 390-6333. And E-mail is ann without an E
7 substantially all of the hearing appearing on behalf of
8 WorldCom. There is a slim possibility that I would be
9 called away at some point and that Mr. Harlow would
10 appear on WorldCom's behalf during my absence.

11 MR. TRAUTMAN: Gregory J. Trautman, Assistant
12 Attorney General, representing Commission Staff. My
13 address is 1400 South Evergreen Park Drive Southwest,
14 Post Office 40128, Olympia 98504. My telephone number
15 is (360) 664-1187, fax is (360) 586-5522, and E-mail
16 address is gtrautman@wutc.wa.gov.

17 MS. TENNYSON: And my name is Mary M.
18 Tennyson, Senior Assistant Attorney General, also
19 appearing on behalf of Commission Staff. My address and
20 fax number are the same as Mr. Trautman's. My
21 individual telephone number is (360) 664-1220. My
22 E-mail address is mtennyson@wutc.wa.gov.

23 JUDGE BERG: Thank you, counsel.
24 Let's be off the record for just one moment.
25 (Discussion off the record.)

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1 JUDGE BERG: In preparation for today's
2 hearing session, at this point I'm going to ask that the
3 reporter type into the record the exhibit number and
4 description of those exhibits that have been marked on
5 the exhibit list as Exhibits T-1001 through C-1019 and
6 Exhibits 1024 through Exhibit C-1040.

7
8 (The following exhibits were identified in
9 conjunction with the testimony of TERESA MILLION.)

10 Exhibit T-1001 is Testimony of Teresa K.
11 Million (TKM-T7). Exhibit C-1002 is Washington
12 Nonrecurring UNEs (TKM-8C). Exhibit C-1003 is Summary
13 of Washington Unbundled Loop (TKM-9C). Exhibit 1004 and
14 C-1004 is UNE, Recurring Cost Study (TKM-10C). Exhibit
15 1005 and C-1005 is UNE, Recurring Cost Study (TKM-11C).
16 Exhibit 1006 and C-1006 is DSO Low Side Channelization
17 (TKM-12C). Exhibit T-1007 is Supplemental Testimony of
18 Teresa K. Million (TKM-T13). Exhibit 1008 and C-1008 is
19 UNE, Recurring Cost Study (TKM-14C). Exhibit T-1009 is
20 Rebuttal Testimony of Teresa K. Million (TKM-15T).
21 Exhibit 1010 and C-1010 is Exec. Summary, Part B, Wk
22 Paper (TKM-16)(TKM-16C). Exhibit 1011 is Qwest's
23 Response to WUTC DR 03-004 (TKM-17). Exhibit 1012 and
24 C-1012 is Qwest's Response to WUTC DR 03-005 (TKM-18C).
25 Exhibit 1013 and C-1013 is Qwest's Response to WUTC DR

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1 03-005S1 (TKM-19C). Exhibit 1014 and C-1014 is Qwest's
2 Response to WUTC DR 03-005S2 (TKM-20C). Exhibit 1015
3 and C-1015 is Qwest's Response to WUTC DR 03-005S3
4 (TKM-21C). Exhibit 1016 and C-1016 is Exec. Summary &
5 Workpapers (TKM-22, TKM-22C). Exhibit 1017 and C-1017
6 is Exec. Summary & Workpapers (TKM-23, TKM-23C).
7 Exhibit 1018 is Excerpts from USWC Cost Manual (TKM-24).
8 Exhibit C-1019 is Matrix of Cell Locations in the Cost
9 Study (TKM-25C). Exhibit 1024 and C-1024 is Qwest
10 Response to Joint Intervenor DR JI 01-005S1. Exhibit
11 1025 is Qwest Response to Joint Intervenor DR JI 03-031.
12 Exhibit 1026 is Qwest Response to Joint Intervenor DR JI
13 03-032. Exhibit 1027 and C-1027 is Qwest Response to
14 Joint Intervenors DR JI 03-037. Exhibit 1028 is Qwest
15 Response to Joint Intervenors DR JI 03-038. Exhibit
16 1029 is Qwest Response to Joint Intervenors DR JI
17 03-039. Exhibit 1030 and C-1030 is Qwest Response to
18 Joint Intervenors DR JI 03-040. Exhibit 1031 and C-1031
19 is Qwest Response to Joint Intervenors DR JI 03-041.
20 Exhibit 1032 is Qwest Response to MCI WorldCom DR MCW
21 03-001. Exhibit 1033 is Qwest Response to Staff DR WUTC
22 04-008. Exhibit 1034 and C-1034 is Qwest Response to
23 Staff DR WUTC 04-009. Exhibit 1035 is Qwest Response to
24 XO Washington DR XO 01-001. Exhibit 1036 is Qwest
25 Response to XO Washington DR XO 01-002. Exhibit 1037 is

01815

1 Qwest Response to XO Washington DR XO 01-003. Exhibit
2 1038 and C-1038 is Qwest Response to MCI WCOM DR 03-003.
3 Exhibit C-1039 is U S West Comm. Cost Manual (Ex. C-115
4 -960369). Exhibit 1040 and C-1040 is Qwest's Response
5 to Staff's DR No. 6.

6

7 JUDGE BERG: Additionally, there are two
8 other exhibits which have been prepared by Qwest that I
9 will have Ms. Anderl specifically identify by number and
10 description.

11 MS. ANDERL: Thank you, Your Honor. We have
12 asked to have marked as Exhibit C-1020 the electronic
13 copies of the cost models and cost studies that we
14 submitted in this docket. The cost studies were
15 included on two CD-ROM disks that were filed on
16 September 12th. The DS1 cost study was subsequently
17 filed on a diskette on or about October 18th. And we
18 would like all three of those pieces of electronic media
19 to be marked as Exhibit C-1020.

20 Additionally, on diskette number two, there
21 is a file entitled the NAC model, and we have submitted
22 two pages of hard copy entitled user information that
23 represent the corrected text that should have been
24 included on the CD. Rather than include an entirely new
25 CD, we have filed simply two additional new pages, and

01816

1 we would like that marked as Exhibit E-1020 representing
2 an errata filing.

3 JUDGE BERG: All right, those exhibits are so
4 marked. I will take note that on the CD's and diskette
5 which are included as Exhibit C-1020, there may be some
6 nonconfidential information. Any parties seeking to
7 challenge the confidentiality of any or all of those
8 documents may raise a proper challenge at any time
9 during the course of this proceeding, and that would
10 include up until the time of a final order being issued
11 certainly as part of this proceeding and thereafter as
12 the state statutes and Commission rules allow.

13 At this time, we will be back off the record.
14 (Discussion off the record.)

15 JUDGE BERG: Ms. Million, if you will please
16 raise your right hand.

17

18 Whereupon,

19 TERESA K. MILLION,
20 having been first duly sworn, was called as a witness
21 herein and was examined and testified as follows.

22 JUDGE BERG: Thank you.

23 MS. ANDERL: Thank you, Your Honor.

24

25 D I R E C T E X A M I N A T I O N

01817

1 BY MS. ANDERL:

2 Q. Good afternoon, Ms. Million.

3 A. Good afternoon.

4 Q. Would you please pull the microphone close to
5 you, and speak directly into it.

6 A. Is that all right?

7 Q. Thank you.

8 Would you state your name and your business
9 address for the record.

10 A. Yes, my name is Teresa K. Million, spelled
11 M-I-L-L-I-O-N, my business address is 1801 California
12 Street, Suite 4400, that's Denver, Colorado 80202.

13 Q. And, Ms. Million, did you file direct
14 testimony, supplemental direct testimony, and rebuttal
15 testimony in this Part B of the proceeding?

16 A. Yes, I did.

17 Q. And do you have before you the testimony and
18 associated exhibits that have been marked as Exhibits
19 T-1001 through and inclusive of C-1019?

20 A. Yes, I do.

21 Q. And were those documents prepared by you or
22 under your direction?

23 A. Yes, they were.

24 Q. And are they true and correct to the best of
25 your knowledge?

01818

1 A. Yes.

2 Q. And are you also sponsoring the electronic
3 documents contained on Exhibit C-1020 and the two page
4 document marked as E-1020?

5 A. Yes, I am.

6 MS. ANDERL: Your Honor, we would offer those
7 exhibits and tender the witness for cross.

8 JUDGE BERG: Hearing no objections, Exhibits
9 T-1001 through E-1020 are admitted.

10 Let me just check with you, Ms. Anderl,
11 whether there are any changes or corrections to any of
12 the testimony or exhibits filed by this witness that
13 have not already been noted.

14 MS. ANDERL: I believe the answer to that is
15 no, but we can double check with Ms. Million.

16 THE WITNESS: There are no changes.

17 JUDGE BERG: All right.

18 MS. ANDERL: If we discover an errata, we
19 will file one in writing.

20 JUDGE BERG: All right.

21 And let me just let parties know that while
22 we will certainly take from witnesses notes of changes
23 to exhibits or testimony, we will be looking for all
24 parties to follow up those changes with a written
25 errata.

01819

1 At this time, I show, Ms. Steele, that you
2 will be asking cross-examination questions of this
3 witness.

4 MS. STEELE: Thank you, Your Honor.

5

6 C R O S S - E X A M I N A T I O N

7 BY MS. STEELE:

8 Q. Good afternoon, Ms. Million.

9 A. Good afternoon.

10 Q. I'm Mary Steele representing a long list of
11 people that you have already heard, so I won't repeat
12 them.

13 A. Yes, I have, thank you.

14 Q. You are presenting the cost models and the
15 cost studies that underlie the prices that Qwest is
16 presenting in this proceeding; is that correct?

17 A. Yes, I am.

18 Q. Now did you actually run the cost models that
19 were -- or perform the studies -- let me change my
20 question.

21 Did you perform the studies that are being
22 presented?

23 A. No, I did not, I directed those to be done.

24 Q. I want to tell you where I'm going so that,
25 probably get lost, but if we have a road map, at least

01820

1 we will have some idea of what to expect. I'm going to
2 talk first in general about the cost models or the cost
3 studies that have been presented. I then want to talk
4 about the nonrecurring studies that have been presented
5 and then move on and talk about the recurring studies,
6 okay?

7 A. Okay.

8 Q. Now in general from reading your testimony,
9 it appears to me that Qwest's position, your position in
10 this proceeding, is that both the recurring and the
11 nonrecurring cost studies that have been presented here
12 comply with TELRIC; is that correct?

13 A. Yes.

14 Q. And do you have your testimony in front of
15 you?

16 A. Mm-hm.

17 Q. I would like you to look at your direct
18 testimony, which is Exhibit T-1001, and I'm looking at
19 page four of that testimony.

20 A. Yes, I have it.

21 Q. Now the first question and answer on that
22 page talk about the overall economic principles that
23 apply in the Qwest TELRIC studies; is that correct?

24 A. Yes.

25 Q. And you have testified here at lines nine and

01821

1 ten that the studies are designed to yield forward
2 looking replacement costs considering most efficient,
3 least cost technologies; that's your testimony, is that
4 correct?

5 A. Yes.

6 Q. Now on the next page of your testimony, page
7 five, you talk about the assumptions that are used in
8 these studies, and I'm looking particularly at lines
9 four through ten of that testimony. Could you take a
10 minute and look at that?

11 A. Yes.

12 Q. And your statements here are that the cost
13 studies are based on Qwest's actual experience or
14 company practice; is that correct?

15 A. Yes.

16 Q. So to the extent that others in the
17 telecommunications industry may use practices that are
18 more efficient than those used by Qwest, those would not
19 be reflected in the studies; is that correct?

20 A. Yes, I guess that's correct.

21 Q. Now I want to move on and talk about the
22 nonrecurring cost studies that are presented. Qwest
23 originally proposed certain nonrecurring charges that
24 you included with your direct testimony, but those have
25 been restated; is that correct?

01822

1 A. Yes, that's true.

2 Q. And so the cost studies that we should look
3 at in this proceeding are included with your responsive
4 testimony; is that correct?

5 A. Yes.

6 Q. If you could take a look at those, I actually
7 do want to get into looking at the actual studies
8 themselves. And just to set the context here,
9 nonrecurring charges, those are the one time charges
10 that are associated with things like provisioning and
11 installation; is that correct?

12 A. Yes, they are.

13 Q. And one of the reasons that these studies
14 were revised from the time of your direct testimony and
15 then refiled was to respond to criticism made by some of
16 the other witnesses; is that correct?

17 A. Yes, that's true.

18 Q. And in the original studies that were filed
19 with your direct testimony, Qwest had proposed that a
20 new entrant should pay to disconnect at the same time
21 that the connection fee was paid; is that correct?

22 A. Yes.

23 Q. And the disconnect now, Qwest is proposing
24 two separate charges, one for connection and one for
25 disconnection; is that correct?

01823

1 A. That's correct.

2 Q. If I want to talk with someone about Qwest's
3 policy as to when the disconnection charge should be
4 applied, are you the one I should talk to, or is it
5 someone else?

6 A. I certainly could address that.

7 Q. What is Qwest's position regarding when the
8 disconnection fees should be paid?

9 A. Qwest's position is that the disconnect fee
10 should be paid at the same time as the installation
11 charge, similar to the way that we treat connection and
12 disconnection in our retail services.

13 Q. So although Qwest is proposing two different
14 charges at this time, it is Qwest's position that both
15 of those charges should be paid at the same time; is
16 that correct?

17 A. That is our position, and that is the way
18 that we present our cost studies in other states.
19 However, in Washington, we have been ordered to state
20 those two items separately, and so we do so here in
21 Washington. And if you are asking me whether or not
22 we're intending to charge those at the same time even
23 though they're stated separately, the answer is no. We
24 would charge the installation fee or the connection
25 charge up front and find a way to charge the disconnect

01824

1 separately.

2 Q. And my question goes to then -- maybe let's
3 back up and see where we're at.

4 It's Qwest's position that the charges should
5 be paid at the same time, however, it's not Qwest's
6 intent in the state of Washington to charge that way; is
7 that correct?

8 A. That is correct.

9 Q. Now my question goes to when is it Qwest's
10 position that a disconnect charge would become payable
11 in the state of Washington?

12 A. That question I'm going to refer to our
13 product witness or our pricing witness, if I may.

14 JUDGE BERG: And, Ms. Million, do you know
15 what witness that would be?

16 THE WITNESS: We have two people, Barbara
17 Brohl and Robert Kennedy, who are both representing
18 products and prices.

19 JUDGE BERG: All right, thank you.

20 BY MS. STEELE:

21 Q. Let's take a look at the way in which these
22 studies are done, and I just want to take an example.
23 You have an exhibit to your rebuttal testimony filed on
24 February 7th, which is Exhibit TKM-16 and 16-C. I
25 believe that's Exhibit 1010 for purposes of our record.

01825

1 A. Yes.

2 Q. And I want to start at -- I want to look at
3 page 92 of 415 just to give us an idea of the way these
4 are done.

5 CHAIRWOMAN SHOWALTER: Now I'm mixed up, I
6 thought you said Exhibit 1010.

7 MS. STEELE: It's Exhibit 1010 in the record,
8 it's Exhibit 16-C to the testimony.

9 JUDGE BERG: C-1010?

10 MS. STEELE: C-1010, yes.

11 CHAIRWOMAN SHOWALTER: Okay.

12 THE WITNESS: And, I'm sorry, what page was
13 that?

14 MS. STEELE: 92 of 415.

15 THE WITNESS: I have it.

16 BY MS. STEELE:

17 Q. And just to talk about how these studies are
18 done, what this exhibit is, it's a compilation of a
19 number of different nonrecurring studies; is that
20 correct?

21 A. This entire exhibit is, yes.

22 Q. So for each of the services for which a
23 nonrecurring charge is proposed, you've got a separate
24 study within this one exhibit; is that correct?

25 A. That's correct.

01826

1 Q. In this page 92 of 415 is the first page of
2 the DS1 capable loop basic install study; is that
3 correct?

4 A. Yes, it is.

5 Q. So this would be how -- this would be the
6 study used to determine how Qwest would charge for basic
7 installation of a DS1 loop; is that correct?

8 A. Yes, it would.

9 Q. And the way that these studies are put
10 together is that Qwest has asked people working, for
11 example, in the interconnect service center, that's the
12 ISC, what tasks need to be done to provision a DS1 and
13 how long these tasks are going to take and what the
14 likelihood that these tasks will be required; is that
15 correct?

16 A. Yes, that's correct. But if I may note here
17 that the interconnect service center times that we're
18 using are the 6 minute times that we had been asked
19 previously by the Commission to use for interconnect
20 service processing, so these don't reflect what Qwest
21 actually believes are the times that it takes to do this
22 process. We have cut down times that might have ranged
23 anywhere from 15 to 18 minutes or more down to 6 minutes
24 based on previous Commission requests.

25 Q. So what has happened is Qwest itself believes

01827

1 it takes longer, but based on prior Commission orders,
2 the studies have been changed; is that correct?

3 A. Yes, that's correct.

4 Q. And that would be the case for the
5 interconnect service center provisioning time estimates;
6 is that correct?

7 A. Yes, that's correct.

8 Q. And there are a number of other time
9 estimates in here that in fact come directly from the
10 Qwest subject matter experts; is that correct?

11 A. Yes, that's true.

12 Q. For example, in this study we have time for
13 the interconnect service center, then we have time for
14 plant line assignment, and that's a different group; is
15 that correct?

16 A. Yes, that's correct.

17 Q. And then design is a different group; is that
18 correct?

19 A. Yes.

20 Q. And central office frames is another group;
21 is that right?

22 A. Yes.

23 Q. And it goes on. Now these assumptions in
24 this study and, in fact, in all the studies are based on
25 Qwest's current operating support systems; is that

01828

1 right?

2 A. Let me answer that if I may this way. These
3 assumptions are based on the experience of the people
4 doing the work, and yes, they are based on our current
5 view of what that work is going to entail. To the
6 extent that they have an understanding that a system is
7 going to impact an activity, then that would be part of
8 this time estimate. To the extent that you're referring
9 to the OSS related to 271 and -- Section 271 of the Act
10 and getting the access to OSS for the CLECs, that time
11 is reflected here we believe in the six minutes in the
12 interconnection service center time that's been required
13 of us by the Commission.

14 Q. Let me back up and see if I understand your
15 answer. Your answer was that, yes, it's based on the
16 current systems. I'm just trying to paraphrase it, so
17 tell me if I'm wrong.

18 A. Certainly.

19 Q. Yes, it's based on the current systems, but
20 it's Qwest's belief that because Qwest has decreased the
21 interconnect service center time estimate, that reflects
22 changes that may be the -- be made in the 271 process;
23 is that right?

24 A. Yes, as part of the OSS access for CLEC's.

25 Q. And, in fact, Qwest is in the process of

01829

1 making changes to its OSS; is that correct?

2 A. Yes, it is.

3 Q. And is that the only place in this study,
4 that change to six minutes previously ordered by the
5 Commission, is that the only change in this study that
6 reflects the currently anticipated changes to Qwest's
7 OSS?

8 A. I would say yes, that's true. We have other
9 times in here, as you will note. If you look, for
10 example, under plant line assignment, we have an
11 estimate of percent of manual work required, and we say
12 that of the 11.25 -- I suppose that was a confidential
13 number, excuse me. Of the time estimated there, that
14 15% of that will be processed manually, and the other
15 85% then will be processed mechanically. So there are
16 other assumptions about our systems and mechanizations
17 and plans to mechanize things that are reflected in
18 these studies.

19 Q. And, in fact, Qwest is in the process in some
20 other states of actually revising its studies to reflect
21 changes in the percentage of mechanization because of
22 anticipated changes in the OSS; is that correct?

23 A. Yes, that's absolutely correct.

24 Q. And are those changes reflected in this study
25 that's presented here?

01830

1 A. No, not specifically the way that we are
2 changing them in the other states.

3 Q. And let me just say it is my intent when I am
4 examining on these confidential documents, I'm going to
5 make every effort to avoid using confidential numbers.
6 But if you feel like you need to answer based on and you
7 need to use a confidential number, let me know so that
8 we can take the proper precautions?

9 A. Yes, thank you.

10 Q. Now you have responded in your testimony,
11 your rebuttal testimony, to criticisms made by Mr. Weiss
12 regarding some of the time and probability estimates,
13 and I can point to that if you want to look at it. It's
14 at pages 34 and 35 of your testimony.

15 A. Of my rebuttal testimony?

16 Q. Of your rebuttal testimony, that's correct.

17 JUDGE BERG: And, Ms. Steele, is that Exhibit
18 T-1009?

19 MS. STEELE: Yes.

20 THE WITNESS: Yes, it is.

21 A. Actually, I believe that question and answer
22 begins on page 32 in my version.

23 BY MS. STEELE:

24 Q. My only question for you is this. You have
25 in turn criticized Mr. Weiss for not supporting his

01831

1 adjustments. Can you tell me what support you believe
2 Mr. Weiss should have presented for the time and
3 probability estimates that he proposed in this
4 proceeding?

5 A. Any kind of indication of what activities he
6 assumed were part of that and what kind of processes
7 were a part of that and what kind of time those
8 processes should be expected to take, assumptions around
9 mechanization, anything like that that we present in our
10 cost study as support for and in the backup that we
11 provide as support for our time estimates and total
12 charges would have been helpful.

13 Q. I want to look at some of the backup
14 information that Qwest did provide in support of these
15 studies, and the exhibit I want to look at is Exhibit
16 1024, which is a cross exhibit. Do you have those?

17 A. Yes, I do.

18 Q. Can you identify Exhibit 1024?

19 A. Exhibit 1024 is, and actually Exhibit C-1024,
20 is the confidential backup that we consider to be our
21 deep backup of the time estimates and probabilities that
22 we make. These are the documents that are prepared by
23 the subject matter experts and presented to the cost
24 analyst to use in the cost study.

25 MS. STEELE: At this time, I would like to

01832

1 request that Exhibits 1024-C and 1024 be admitted?

2 MS. ANDERL: No objection.

3 JUDGE BERG: So admitted.

4 BY MS. STEELE:

5 Q. What do you mean when you say deep backup?

6 A. Well, this is a document that is in support
7 of what's in the cost study, so when you go to the cost
8 study, you're going to see an estimate for plant line
9 assignment of 11 -- I did it again.

10 MS. ANDERL: Let's just put that number on
11 the record.

12 A. Excuse me, of a certain amount of time and a
13 probability of the fact that that work is going to be
14 manual versus mechanized. And if you work your way
15 through all of these pages, somewhere in here there is a
16 piece of paper that comes from a subject matter expert,
17 in all likelihood the subject matter expert's name is
18 listed, and it describes the activity and the time
19 estimate and the probability of manual versus mechanized
20 work.

21 Q. I do want to cross match a couple of these
22 just so we get a sense of how it works.

23 A. Okay.

24 Q. And that requires us unfortunately to have
25 two exhibits in front of us at the same time. We had

01833

1 been looking at page 92 of 415 on Exhibit 1010, and if
2 we could still have that in front of us, 1010-C.
3 Looking at the way this works, I'm looking at the design
4 section, for example, and you see that list of
5 activities. The next number over under minutes, that's
6 the time estimate that the expert has given for how much
7 time that activity should take; is that correct?

8 A. The first column of numbers?

9 Q. Yes.

10 A. Yes, the first column of numbers is the
11 estimate of the time of -- the amount of time that the
12 activity should take.

13 Q. And the next is the probability that that
14 activity will have to take place; is that correct?

15 A. It's the probability that that activity will
16 take place in a manual manner as opposed to a mechanized
17 manner.

18 Q. So in this instance, for example, you -- and
19 what you do then is you multiply the minutes by the
20 probability, and then you come up with the applied time
21 in the following column; is that correct?

22 A. Yes, that's correct.

23 Q. And then you multiply that by the labor to
24 come up with the cost of that particular activity; is
25 that correct?

01834

1 A. Yes.

2 Q. Now the converse of the probability in column
3 C would be the probability that this will take place on
4 a mechanized basis; is that correct?

5 A. Yes, that's true.

6 Q. And is this what we call fallout, this is
7 what will happen if something falls out of the
8 mechanized process?

9 A. That might be one way to refer to it. It's
10 basically a situation that for every certain number of
11 orders or processes or activities that happen, a certain
12 amount of those are handled in a manual manner, and a
13 certain amount of them are mechanized based on the
14 systems.

15 Q. Now moving to Exhibit 1024, if I'm trying to
16 come up with the support for the estimates under design,
17 I would look in the table of contents which we show on
18 page one, and I would look at the following page, and I
19 would see a tab 23 for design DS1 capable loop. Is that
20 where I would look then to find the support for these
21 numbers on Exhibit 1010?

22 A. Yes.

23 Q. And then if I turned to page 96 of this
24 document, that's where I find tab 23?

25 A. Yes, that's correct.

01835

1 Q. And if I look behind tab 23, these three
2 pages are all of the support that Qwest has provided for
3 these numbers that are found in the cost study; is that
4 correct?

5 A. Yes, that's correct.

6 Q. And if I look at these, this page 98 is the
7 second page under tab 23, it talks about there being
8 conference calls with staff managers and interviews with
9 design technicians. There aren't any notes of those
10 conference calls or interviews; is that correct?

11 A. No.

12 Q. And there were no time and motion studies
13 done of these activities; is that correct?

14 A. No, these estimates were provided by subject
15 matter experts who have at a minimum one year experience
16 in the -- in the position. However, generally speaking
17 the subject matter experts that provided this
18 information had experience ranging from 10 to 28 years.

19 Q. And there are no written instructions here
20 about what the subject matter experts were told to
21 provide for these cost studies; is that correct?

22 A. No, that's correct. That information was
23 provided orally, a request from the cost analyst that
24 goes out there. It's possible that he sends an E-mail
25 out to some of the subject matter experts asking them to

01836

1 estimate these activities based on their experience.

2 Q. And what the subject matter experts were
3 asked to do was to determine how long it was actually
4 taking within Qwest's design section to do these tasks;
5 isn't that correct?

6 A. No, what they have been asked to do is
7 estimate the time that it would take on average to do
8 this activity assuming improvements in productivity or
9 process that are anticipated for that particular
10 activity.

11 Q. Now these particular design estimates, the
12 review that was done to come up with these numbers was
13 done in January of 1999; is that correct?

14 A. That is what is stated on page 98. If you
15 will go to page 99, on the table, there's a note down at
16 the bottom then that confirms that in March of 2000, the
17 subject matter expert was contacted again, and she
18 confirmed that these are the same times and
19 probabilities that they would expect to see today, or as
20 of March 2000, excuse me, based on, again, on her
21 experience with what's happening currently.

22 Q. Now the numbers on these studies reflect use
23 of the IMA system for CLECs to interface with Qwest; is
24 that correct?

25 A. No, they do not. The activities here for

01837

1 this design, this particular one that we're looking at,
2 reflect the mechanization that exists in Qwest's OSS.
3 And Qwest's OSS is what the CLECs will have access to
4 through the IMA interface when that is completed and
5 functional and everything is in place. But this
6 particular process has nothing really to do with that
7 interface. It has to do with the support systems that
8 Qwest uses to provide or to do the design function.

9 Q. And I understand why you answered me that
10 way, but I want to step back. I think the question I
11 asked was different from the one you answered.

12 A. Okay.

13 Q. And that is when I look at, for example, the
14 interconnect service center provisioning time, that is
15 based on IMA; isn't that correct?

16 A. That will be based on the mechanized flow
17 between the CLEC and the ILEC for order processing, yes,
18 that's correct.

19 Q. Okay. And that order processing is based on
20 I think it's interconnect mediated access; is that
21 correct?

22 A. That sounds right to me, although I'm not the
23 IT person.

24 Q. However, there are other ways that a CLEC
25 could interface with Qwest; is that correct?

01838

1 A. Yes, there are other interfaces including fax
2 orders, that kind of thing, yes.

3 Q. And, in fact, some CLECs are seeking to set
4 up an EDI system between Qwest and the CLEC; is that
5 correct?

6 A. Yes, EDI is another method of access.

7 Q. And in that case, the time required for the
8 IMA system simply wouldn't exist; isn't that correct?

9 A. There's an -- it's an intermediate -- it's
10 intermediated access for EDI and for what we call G-U-I,
11 GUI, or graphical user interface. Those are two
12 mechanized methods of accessing our ordering process.
13 And so when you say the IMA won't exist, it -- that's
14 just a term that applies to both EDI and GUI.

15 Q. We will come back to that. We will talk
16 about that in a little bit.

17 CHAIRWOMAN SHOWALTER: I'm just going to make
18 a request. Until we get into this a few days, when you
19 use these acronyms, maybe repeat what they mean every
20 once in a while.

21 MS. STEELE: Okay.

22 CHAIRWOMAN SHOWALTER: Just because on the
23 record they have been defined, but until we get used to
24 it, just remind us.

25 MS. STEEL: Okay.

01839

1 BY MS. STEELE:

2 Q. If you could take a look at Exhibit 1025.

3 A. I need to find it. Just a moment, please.

4 Q. If you could, why don't you pull out 1026 at
5 the same time.

6 A. I did.

7 Q. Okay, great, because I have very limited
8 questions for you on this.

9 A. Okay.

10 Q. I simply want you to confirm that Exhibit
11 1025 is a Qwest response to a data request from the
12 joint intervenor, as is Exhibit 1026; is that correct?

13 A. Yes, that's correct.

14 Q. Is there anything on Exhibit 1025 or Exhibit
15 1026 with which you disagree?

16 A. No, I don't believe so.

17 MS. STEELE: I would ask that Exhibits 1025
18 and 1026 be admitted.

19 MS. ANDERL: No objection, Your Honor.

20 JUDGE BERG: So admitted.

21 BY MS. STEELE:

22 Q. I want to look at a different one of the cost
23 studies in Exhibit 1010, and I'm referring to page 11 of
24 415.

25 A. I'm sorry, what was the page reference?

01840

1 Q. 11 of 415 at Exhibit 1010. Now this is a
2 nonrecurring cost study for what Qwest refers to as
3 UNE-C, UNE combinations; is that correct?

4 A. Yes, correct.

5 Q. And this is for existing plain old telephone
6 service, POTS; is that correct?

7 A. That's right.

8 Q. And this is an assumption that this is done
9 on a mechanized basis; is that correct?

10 A. This is based on an assumption that this is
11 exactly the same as the CTC or customer transfer charge
12 that was previously approved by the Commission.

13 Q. Now the support for the numbers on the first
14 page here is also found -- well, is, in fact, not found
15 in this document, because you are simply relying on what
16 was done in the last proceeding; is that correct?

17 A. Yes, that is correct.

18 Q. However, if I wanted to look at what is being
19 done currently to provision UNE-C existing POTS, I could
20 look in this document under the interconnect service
21 center tab 3; is that correct?

22 A. Yes, that's correct.

23 CHAIRWOMAN SHOWALTER: What page is that?

24 MS. STEELE: That is on page 14 of Exhibit

25 1024.

01841

1 JUDGE BERG: And, Ms. Steele, not to disturb
2 your rhythm, but perhaps the witness can explain what
3 the customer transfer charge is for the Commissioners'
4 benefit.

5 THE WITNESS: The customer transfer charge is
6 the charge for converting resale customers, existing
7 resale customers that Qwest has, to a CLEC. And it
8 involves the order processing and the changes to the
9 record and that sort of thing that accompany those tasks
10 and accompany changing from Qwest to a CLEC as a
11 provider in resale services.

12 BY MS. STEELE:

13 Q. Now looking at the way that this particular
14 study is done, the assumption here is that 100% of the
15 time an order screener is going to be required to
16 actually look at an order that comes from a CLEC and
17 spend some quantity of time doing that; is that correct?

18 A. Yes, that was the assumption that was used in
19 the CTC study.

20 Q. And presently Qwest assumes if you look at
21 page 14 that that is going to be required a little more
22 than half of the time; is that correct?

23 A. That's correct.

24 Q. And if I applied that probability here, I
25 would get a lower number; isn't that right?

01842

1 A. Yes, that's true.

2 Q. And then if I look at the next page of this,
3 page 12 of 14 on your Exhibit 1010.

4 CHAIRWOMAN SHOWALTER: You mean 12 of 415?

5 Q. 12 of 415, yes, on Exhibit 1010, I see other
6 tasks here. The flow through button is electronically
7 generated, and then the converse of that, if it doesn't
8 flow through, the converse is that an order writer has
9 to go in to access the LSR. These are two things, one
10 or the other of these will happen; is that correct?

11 A. Yes, that's correct.

12 Q. Now Qwest assumes presently that there will
13 be more flow through; isn't that correct?

14 A. Yes.

15 Q. And if I use the present Qwest assumptions, I
16 get a lower number; isn't that correct?

17 A. For this particular item, that's true.
18 Although if I may, this is a dynamic process, and it is
19 continuing to change and be updated. And we have
20 updated probabilities even from what's presented here
21 that we're preparing for filing in some other states.
22 So this is a snapshot in time. This is based on our
23 agreement to use the previously filed CTC numbers.

24 We have no problem with updating our flow
25 through percentages and updating our nonrecurring

01843

1 numbers. Although I do need to say that you have to
2 look at every single service then when you make that
3 assumption, because the six minutes that's been assumed
4 for interconnect service center for everything else is
5 not going to -- is going to represent a greater flow
6 through for all other services than what we're
7 experiencing and what we're putting forth in our other
8 studies at this time. You are with six minutes showing
9 about 60% flow through versus some other flow throughs
10 that we now have, and some of those are lower, and some
11 of those are considerably higher.

12 Q. Now you have indicated that Qwest is showing
13 different flow throughs in studies it's doing presently.
14 In fact, the flow throughs that Qwest is presently
15 showing in studies it's doing presently as compared with
16 Exhibit 1024, you're actually showing more flow through,
17 isn't that correct, and less manual operation?

18 A. That's true for UNE-C. That's also true for
19 resale. And that's true for the unbundled loop DSO.
20 That's not true for any other of the nonrecurring
21 services that are found in Exhibit C-1010. For all of
22 the remainder of those, the flow throughs are going to
23 be considerably lower, and the manual activities are
24 going to be considerably higher than the six minutes
25 that we're using here in Washington.

01844

1 CHAIRWOMAN SHOWALTER: Ms. Million, what is
2 UNE-C?

3 THE WITNESS: Unbundled network element
4 combinations.

5 CHAIRWOMAN SHOWALTER: Oh, okay.

6 THE WITNESS: Also referred to as the UNE
7 platform.

8 CHAIRWOMAN SHOWALTER: Oh, UNE-P?

9 THE WITNESS: Yes, ma'am.

10 CHAIRWOMAN SHOWALTER: C equals P.

11 Also, since we're pausing here, if you're
12 typing, and Mr. Gabel too, turn your mike away from
13 your, Ms. Hopfenbeck, turn your mike away from your
14 computer.

15 BY MS. STEELE:

16 Q. Because you have so much paperwork, I have
17 lost my notes. They're somewhere. I do want to look at
18 just a couple more of the NRC studies, and then we will
19 move on to the recurring studies.

20 A. Okay.

21 Q. Now one of the NRC studies that you have
22 presented is for the field connection point, the FCP.
23 Can you tell us what the FCP is?

24 A. An FCP is a field connection point, and that
25 refers to the technically feasible points of

01845

1 interconnection in a subloop.

2 Q. Now this is a charge that Qwest is going to
3 impose if a CLEC wants to explore the possibility of
4 using or gaining access to a subloop; is that correct?

5 A. That would be correct.

6 Q. And the study for this is found on page 89 of
7 415 in your Exhibit 1010-C.

8 CHAIRWOMAN SHOWALTER: What page was that?

9 MS. STEELE: It is 89 of 415.

10 BY MS. STEELE:

11 Q. This is the study for that particular
12 element; is that correct?

13 A. Yes, it is.

14 Q. And essentially what we have here is an
15 estimate that it will take -- I will try not to use the
16 number.

17 A. A considerable number of hours.

18 Q. A consider number, yes.

19 A. To assess. And let me explain, if I may,
20 what this -- what this actually reflects. In field
21 connection or in the subloop, what the Act tells us is
22 that we have to provide interconnection at any
23 technically feasible point. As you can imagine, in our
24 network, any technically feasible point is a lot of
25 places. And so -- and it specifies exactly what that

01846

1 means in terms of not having to open splice cases and so
2 forth. But from our perspective, there are just lots
3 and lots of places that that technically feasible point
4 could be within the network.

5 And so in order to assess whether a point is
6 technically feasible and how that field connection might
7 happen, we have a quotation preparation fee that says
8 that engineers and tactical planners and so forth are
9 going to go out, and they're going to study that point
10 and make an assessment about whether or not it's
11 feasible.

12 Q. Now there are certain places within the
13 network where it's more likely that access will be
14 requested than others; isn't that correct?

15 A. That's probably true.

16 Q. And it is possible, is it not, that some
17 standard fee less than this could be developed for
18 standardized points of access within the network; isn't
19 that correct?

20 A. What I would suggest is that if we had a list
21 of standardized connection points, if the CLECs were
22 willing to come to us and say, we will want connection
23 at this type of point and this type of point and this
24 type of point, that yes, we could develop some sort of
25 standardized fee for that.

01847

1 Q. And if I wanted to look at the support that
2 is available for this fee in Exhibit 1024, I would look
3 at page 182 of 1024; is that correct?

4 A. Yes, that's correct.

5 Q. So I have a single memo listing the hours; is
6 that correct?

7 A. Yes, and those are provided by a subject
8 matter expert who is familiar with this type of
9 activity.

10 Q. One more nonrecurring study, then we will
11 move to the recurring studies. We will look at page 413
12 of 415, all the way at the end. Now this is the charge
13 that Qwest proposes to -- why don't you describe for me
14 what this charge is.

15 A. This is called a field verification fee,
16 manholes, per manhole. And what this is is time that
17 would be taken to -- if a CLEC is requesting access to a
18 manhole for the field engineer to go out to that site,
19 assess what equipment is in the manhole, what the
20 conditions of the manhole are, and so on in order to
21 verify how the equipment that the CLEC is asking to
22 place in there could be placed and so on.

23 Q. And this would be charged per manhole; is
24 that correct?

25 A. Yes, that's correct.

01848

1 Q. And the reason that this is required is that
2 Qwest's conduit records aren't trustworthy; isn't that
3 correct?

4 A. Well, no, I would disagree with that. What I
5 would say is that the conditions of a manhole being out
6 in the field are something that's hard to predict. And
7 even when you have records that are updated and
8 maintained mechanically, there are things that happen
9 out in the field that you don't necessarily have control
10 over, and quite truthfully including that somebody goes
11 out and places equipment without noting it properly. I
12 mean those kinds of things do happen, I'm not going to
13 say that they don't. But also things that happened
14 because of nature and so on, and so it requires us to go
15 out when we're going to place equipment and check and
16 see what's available, what's there, what the conditions
17 are, and how best to add equipment to the manhole.

18 Our outside plant or our engineering person
19 could probably address more specifically exactly the
20 kinds of things that they find out there, but it is my
21 understanding that these visits are necessary to assess
22 what's happening each time you decide to add equipment
23 to a particular manhole.

24 Q. I would like you to take out Exhibits 1035,
25 1036, and 1037.

01849

1 A. I'm going to have it all out here before
2 we're done.

3 Q. That's the plan, testing your paper handling
4 ability. And I'm only going to ask that these be
5 identified and entered into the record. So 1035, 1036,
6 and 1037 are Qwest responses to data requests by XO; is
7 that correct?

8 A. Yes, that is correct.

9 Q. Is there anything within these documents with
10 which you disagree?

11 A. No.

12 MS. STEELE: I would ask at this time that
13 Exhibits 1035, 1036, and 1037 be admitted.

14 MS. ANDERL: No objection.

15 JUDGE BERG: So admitted.

16 BY MS. STEELE:

17 Q. If you will put away the nonrecurring cost
18 models, we're moving on.

19 A. Okay.

20 CHAIRWOMAN SHOWALTER: Can we stop just for a
21 second.

22 JUDGE BERG: Off the record.

23 (Discussion off the record.)

24 BY MS. STEELE:

25 Q. Qwest has proposed also a number of recurring

01850

1 models in this proceeding including models for studies
2 for the subloop, high capacity loops, dark fiber, OC3
3 and OC12 dedicated transport, and low side
4 channelization, and you are the sponsor of those
5 studies; is that correct?

6 A. Yes, I am.

7 Q. Now Qwest's recurring studies are all done in
8 similar ways; is that correct? That's not a good
9 question, let me back up.

10 The first thing that Qwest's nonrecurring
11 studies do is determine the investment required to
12 provide the element; is that correct?

13 A. Yes, the recurring studies.

14 Q. Yes.

15 A. Determine -- the models actually that we have
16 submitted and I believe are on Exhibit C-1020 are where
17 the investment is actually calculated, and then that
18 investment is taken into the cost studies themselves,
19 and those are also provided electronically as well as
20 the paper copies that have been filed here.

21 Q. And the investment includes things such as
22 the materials that are required to provide the element;
23 is that correct?

24 A. Yes, that's correct.

25 Q. And including the materials costs, we also

01851

1 have the cost to put that plant into service; is that
2 correct?

3 A. Yes, that's correct.

4 Q. And Qwest uses something that it calls its
5 total investment factor to apply against the materials
6 cost to come up with a loaded materials cost; is that
7 correct?

8 A. Yes, that's correct.

9 Q. Now to the investment then we apply cost
10 factors for capital costs and operating expenses; is
11 that correct?

12 A. Yes. Well, it's a little different in
13 Washington, because we take the fully loaded investment,
14 and then we calculate our directly attributable. And
15 once we get a direct cost, then we load that with a
16 standard Commission provided factor of 19.62%, and then
17 we add on top of that the Commission prescribed, or
18 approved I should say, common which is 4.05%.

19 Q. And when all of those factors are done being
20 applied, we have then the -- that's how the recurring
21 charges are then calculated; is that correct?

22 A. Yeah, that's true. When you take the
23 investment and you add the directly assigned costs,
24 those are things like business fees and product
25 management and so forth, and then you add the 19.62%

01852

1 directly attributable on that, you end up at what we
2 call TELRIC. And then to that you apply the common
3 4.05%, and you end up at TELRIC plus common, which is
4 our price then for the UNE.

5 Q. I thought that the best way to look at how
6 these are done is to actually take one of the studies
7 and walk through it, and the one I have chosen for our
8 pleasure this afternoon is the DS0 study, recurring
9 study, and I think that the study itself is part of
10 exhibit TKM-22, which in this docket is Exhibit 1016 and
11 C-1016; is that correct?

12 A. Okay, I have 1016 and C-1016 as the study
13 that produces the high capacity loop.

14 Q. Right.

15 A. The DS1 capable, the DS3 capable.

16 Q. Right.

17 A. And then the unbundled dark fiber.

18 Q. Right, I just want to talk about the DS1
19 portion of it.

20 A. Okay.

21 Q. Just as an example more than anything else.

22 A. Okay.

23 Q. And if you look at page six of Exhibit
24 1016-C, C-1016, you have been talking about coming up
25 with the investment and then all of the factors that are

01853

1 applied against that. And if we look at the first five
2 lines under description, these are the calculations that
3 apply to the D average, DS1 loop; is that correct?

4 A. Yes, that's true. But again, this would be
5 the way that our study would calculate this in any other
6 state. You actually have to look at page eight in order
7 to see how that works in Washington because of the two
8 factors that I mentioned before.

9 Q. And that's because you are using previously
10 determined Commission loadings for attributed and common
11 costs; is that correct?

12 A. Yes, that's true.

13 Q. So instead of the directly attributed number
14 and the common number that we have on page six, we have
15 to look at page eight to come up with how that would be
16 calculated; is that right?

17 A. Yes, actually our network, what we call
18 network support and directly attributed and common that
19 are reflected in these two factors on page eight. We
20 start, if you will look at the column marked total
21 direct, that that total direct number is the same and
22 includes the investment plus direct expenses that we
23 talked about before. And then you -- that is the same
24 or common starting point for loading the other items on.

25 Q. Now if I want to look at how the loaded

01854

1 investment number is determined, I have to look at the
2 cost model itself; is that correct?

3 A. Yes, the cost model is what hands off the
4 investment number.

5 Q. Okay. I do want to look at that, and to do
6 that, I have copied some pages of that. The cost model
7 itself is in Exhibit 1020, and that is a CD-ROM; is that
8 correct?

9 A. Yes, that's correct.

10 MS. STEELE: I think it would be helpful to
11 actually look at some pages of that, and I have made
12 copies of those. We could make it an exhibit or just
13 consider it to be for purposes of illustrative purposes,
14 whatever Qwest would prefer we need to do.

15 JUDGE BERG: I think, Ms. Anderl, does your
16 client have a preference?

17 MS. ANDERL: I think in the past for ease of
18 reference, it's been a good idea to give it a separate
19 exhibit number even though it's technically duplicative
20 of something else.

21 JUDGE BERG: I think it might be helpful for
22 anybody who wants to try and follow the discussion here
23 on the record, so we will identify this particular
24 excerpt from C-1020 as C-1021.

25 (Discussion off the record.)

01855

1 (Brief recess.)

2 BY MS. STEELE:

3 Q. Ms. Million, you have in front of you Exhibit
4 1021, which I will represent to you is just selected
5 pages from the DS1. I believe it's called a NAC model;
6 is that correct?

7 A. Yes, the NAC model was used in producing the
8 DS1.

9 Q. What does NAC stand for?

10 A. Network access channel. Sometimes those
11 words just don't come.

12 Q. And page one is just the first page of the
13 model. We can go past that. I actually want to look at
14 -- start with page six and look at pages six, seven,
15 eight, and nine.

16 JUDGE BERG: Excuse me, just again for a
17 refresher, this is Exhibit C-1016?

18 MS. STEELE: 1016, I'm sorry.

19 JUDGE BERG: Is that right?

20 MS. ANDERL: No, 1021.

21 JUDGE BERG: 1021, okay, thank you.

22 BY MS. STEELE:

23 Q. Now my understanding of the way this
24 particular model works is that Qwest has identified
25 eight different architectures, network architectures,

01856

1 that could be used to provision a DS1; is that correct?

2 A. Yes, that's correct.

3 Q. And then weighted these different

4 architectures by the percentage of time that Qwest

5 anticipates that these particular architectures would be

6 used; is that correct?

7 A. Yes, that's correct.

8 Q. Now the weightings as I understand come from

9 subject matter experts; is that right?

10 A. Yes.

11 Q. And then once the architectures are

12 determined, Qwest determines what materials would be

13 required to create these architectures, and from that

14 builds the investment; is that right?

15 A. Yes, that's correct.

16 Q. And if you actually go forward to page two.

17 A. Page seven?

18 Q. Forward to page two.

19 A. Oh, I'm sorry.

20 CHAIRWOMAN SHOWALTER: Well, of the exhibit.

21 Q. Page two of the exhibit.

22 A. Okay.

23 Q. And we have handwritten numbers on the top

24 there, because there's so many different page numbers on

25 there.

01857

1 CHAIRWOMAN SHOWALTER: So it's the
2 handwritten page two.
3 Q. The handwritten page two.
4 A. Thank you.
5 Q. There's a kind of recap of the types of
6 investments that would be required to provide a DS1; is
7 that correct?
8 A. Yes.
9 Q. And then on the next page, three, it's split
10 out by the different architectures; is that right?
11 A. Yes, that's correct.
12 Q. Now if I wanted to talk about the poles,
13 wire, conduit systems, everything below poles, that
14 would come from a different model; is that correct?
15 Those investments come from the loop MOD; is that right?
16 A. Yes, I'm sorry, everything from poles, wire,
17 the conduit systems, buried drop, and so forth, yes,
18 those are going to come from the loop model.
19 Q. And Mr. Buckley is here to talk about that;
20 is that right?
21 A. Yes.
22 Q. And the loop MOD, all of those things are the
23 structure, the outside plant structure that's needed to
24 provide a DS1; is that correct?
25 A. Yes, that's correct.

01858

1 Q. And then everything above poles, all the
2 circuit equipment, that would be equipment that's
3 located either in the Qwest central office or at the
4 customer premises; is that right?

5 A. Yes.

6 Q. Now to determine, and we will talk with
7 Mr. Buckley about the loop MOD proposals, the loop MOD
8 assumptions; is that appropriate?

9 A. That would be more appropriate, yes.

10 Q. But we will talk with you about the central
11 office and the customer premises equipment.

12 A. That's fine.

13 Q. Assumptions.

14 A. Yes.

15 Q. Okay. Just as an illustration, the last two
16 pages, and the reason I didn't staple these is because
17 it's easier to actually look at them as a spreadsheet.

18 CHAIRWOMAN SHOWALTER: What pages of the
19 exhibit?

20 MS. STEELE: The very last two pages.

21 CHAIRWOMAN SHOWALTER: That would be 10 and
22 11?

23 MS. STEELE: Yes.

24 BY MS. STEELE:

25 Q. And I will represent to you that this is only

01859

1 a portion of this full spreadsheet, because it's rather
2 large and cumbersome.

3 A. Yes, and it's really only representing one of
4 the architectures.

5 Q. That's right. This is only representing how
6 you would develop the investment for the third of the
7 architectures that are used within the model; is that
8 correct?

9 A. Yes.

10 Q. And you would have another one of these for
11 every one of the other seven architectures; is that
12 right?

13 A. Yes.

14 Q. And I will represent to you that what we have
15 here is the top part of the document, that actually the
16 spreadsheet keeps going down from line 38 down through
17 about line 80, but this is just for illustration.

18 A. Yes.

19 Q. And going down the -- when it goes down
20 through 80, it actually has lists of the various
21 equipment that would be required to provide a DS1 using
22 a SONET fiber MUX; is that correct?

23 A. I will take your word for it.

24 Q. Okay. Do you know who actually did this cost
25 model?

01860

1 A. Yes, I do.

2 Q. Who is that?

3 A. Well, excuse me, the cost model itself or the
4 study? Because we have different people. There are
5 programmers who develop the models, and then there are
6 cost analysts who do the study based on those models.

7 Q. Well, let me ask you, I know that Mr. Buckley
8 is considered the father of RLCAP; is there a father or
9 mother of NAC?

10 A. You know, to tell you the truth, I don't
11 know.

12 Q. On that note --

13 CHAIRWOMAN SHOWALTER: No one wants to claim
14 parentage.

15 MS. STEELE: That's right.

16 BY MS. STEELE:

17 Q. And if I wanted to know who did the model, I
18 could look at the model documentation or the study, I
19 could look at the study documentation that you have
20 provided?

21 A. Yes.

22 Q. Is that correct?

23 A. Yes, I believe the analyst's name is listed
24 there.

25 Q. Now let's start at the top page here at the

01861

1 top of the page, and you see the various accounts that
2 are listed on line five?

3 A. Yes.

4 Q. My understanding is that those are Qwest's,
5 they are accounts within Qwest's accounting system; is
6 that correct?

7 A. The indication that you see there, the 357C
8 for example and 257C, are actually field reporting codes
9 that are a part of our accounting system. They are the
10 capital indicator for a particular type of equipment,
11 and they then help to feed -- book information, if you
12 were going to look at this from a book perspective, up
13 to some sort of main and subaccount, yes.

14 Q. And then going down to direct category one,
15 these are the numbers that actually flow into the cost
16 model itself; is that correct?

17 A. Those are the numbers that --

18 Q. I'm sorry, that flow from the cost model into
19 the cost study?

20 A. From the cost model into the cost study, yes.

21 Q. So those are the investments that are kind of
22 gathered together and added up; is that right?

23 A. Yes.

24 Q. And this page lists all the investments that
25 go into those numbers; is that right?

01862

1 A. Yes.

2 Q. And so if I go down here to non-shared
3 equipment utilization; do you see that box beginning at
4 line 11?

5 A. Yes.

6 Q. This is where I determine that utilization
7 that will be applied against certain investment numbers?

8 A. Yes, that's true.

9 Q. We will come back to that issue. And then
10 when we go down underneath, we have beginning at line 28
11 there is a list of various items, and those are the
12 actual pieces of equipment that go into providing this
13 particular architecture; is that correct?

14 A. Yes, they are.

15 Q. So just to take one as an example, beginning
16 at line 29 we have the FLM150ADM shelf; do you see that?

17 A. Yes.

18 Q. Now when I get to material investment, that
19 is how much one of those cost; is that right?

20 A. Yes.

21 Q. And that's, from your testimony, that's based
22 on current Qwest contracts; is that right?

23 A. Vendor price lists, yes.

24 Q. And then when I go to quantity one, that's
25 how many of them you need; is that right?

01863

1 A. Yes.

2 Q. And so the total investment would be the
3 quantity times the material investment; is that correct?

4 A. Yes.

5 Q. Going over to capacity, that's the number of
6 DSIs that can be provided using this particular piece of
7 equipment; is that correct?

8 A. That's correct.

9 Q. And so to get to the per DSI investment, I
10 would divide the total investment by 84; is that
11 correct?

12 A. Yes.

13 Q. Now to get to utilized investment from the
14 per DSI investment, I have to look at utilization; is
15 that correct?

16 A. Yes.

17 Q. And here what we show is the utilization is
18 .369; is that correct?

19 A. Um --

20 Q. I'm sorry, I didn't mean to do that.

21 CHAIRWOMAN SHOWALTER: If you need to, you
22 can say the figure in column L.

23 MS. STEELE: Right.

24 CHAIRWOMAN SHOWALTER: Row 30 or whatever,

25 29.

01864

1 MS. STEELE: Yes, I didn't mean to do that.

2 MS. ANDERL: You did it so quickly.

3 MS. STEELE: Mea culpa.

4 A. If I may, the utilization that's in utilized
5 investment in column L is the result of the per DS1
6 investment in column I and the applying both maintenance
7 and growth spare.

8 BY MS. STEELE:

9 Q. And growth spare is what we have sometimes
10 referred to as fill factor; is that correct?

11 A. Yes.

12 Q. So essentially what you're doing here is
13 you're taking the unused capacity of this particular
14 investment and spreading that unused capacity over all
15 of the used capacity; is that correct?

16 A. Yes, that's correct.

17 Q. So in this case when you look back at the
18 non-shared equipment utilization and you look at average
19 DSIs per system.

20 A. Yes.

21 Q. In column B, here you're only using the
22 number in the column B, line 31 out of the total number
23 of available in column C; is that correct?

24 A. Yes.

25 Q. And if you were using more than this fill

01865

1 factor, the growth spare number would go up toward one;
2 is that correct?

3 A. Yes, that's true.

4 Q. Now the next thing we have here are what are
5 called TIF or total investment factor, and those are
6 then applied against the utilized investment to come up
7 with the installed investment; is that correct?

8 A. Yes, that's correct.

9 Q. And then what you do is you would add up this
10 particular, this one particularly on line 28 is in
11 account code 257CS, you would you add up all the
12 investments from the direct category 1 together to come
13 up with the total investment that would go into the cost
14 study; is that correct?

15 A. Yes. And just so that we're clear, the
16 account, that references what account this equipment
17 would reside on in our books, but it does not have
18 anything to do with any investment that's actually in
19 our books. It's a calculated amount, and we show that
20 reference to the account really as much for
21 clarification about what type of equipment we're talking
22 about.

23 Q. I do have one question about the loop, and if
24 you want to refer this to Mr. Buckley, that's fine.
25 When you look up at the top in line four, you will see

01866

1 three things, you will see CO, you will see premises,
2 and you will see loop.

3 A. Yes.

4 Q. CO refers to central offices; is that
5 correct?

6 A. Yes.

7 Q. Premises would be the customer premises; is
8 that correct?

9 A. Yes.

10 Q. And loop would be the loop facility between
11 the central office and the customer premises; is that
12 correct?

13 A. Yes.

14 Q. Now in presenting the DS1 prices in this
15 proceeding, Qwest has calculated the cost of the loop
16 facility rather than using the structure costs from the
17 prior cost proceeding; is that correct?

18 A. That's correct.

19 Q. Now I really am proceeding in getting close
20 to being done, but I want to talk about two things. I
21 want to talk about the total installed factor, the TIF,
22 and I want to talk about utilization. Because those are
23 complicated, I need my notes. Now you described in your
24 testimony the way in which the TIF is calculated, and I
25 believe that that is in your responsive testimony?

01867

1 A. Yes, it is.

2 Q. And the way I understand it is that the TIF
3 is used to go from material cost to the installed or
4 loaded costs of the material; is that right?

5 A. Yes, that's correct.

6 Q. And it includes things like labor and
7 installation, labor and power and warehousing and
8 transportation and a finance charge; is that right?

9 A. Yes.

10 Q. And the way I understand that it is done is
11 that Qwest has taken the material investment from its
12 books for these particular account categories.

13 A. Mm-hm.

14 Q. And it has then also taken the labor charges
15 on its books for these account categories and the
16 warehouse charges, et cetera, and has created a ratio
17 using those actual numbers from the company's books; is
18 that correct?

19 A. Yes, that's correct.

20 Q. Now my understanding is that, and this comes
21 from page nine of your responsive testimony, that --

22 JUDGE BERG: Ms. Steele, would you make
23 reference to the exhibit number.

24 MS. STEELE: I'm sorry.

25 JUDGE BERG: Is that 1007?

01868

1 THE WITNESS: 1009.

2 MS. STEELE: 1009, yes.

3 JUDGE BERG: On my list it's showing as
4 rebuttal testimony.

5 MS. STEELE: That's correct.

6 JUDGE BERG: So I was just confused by the
7 terminology.

8 MS. STEELE: Thank you.

9 BY MS. STEELE:

10 Q. Your rebuttal testimony on page nine, you
11 indicate that, this is at the top, line numbers two
12 through five, that a TIF represents a relationship with
13 material investments to related expenditures for the
14 most current time period; do you see that?

15 A. Yes.

16 Q. And the reason that it's important that this
17 be for the most current time period is that we want this
18 to be forward looking; is that right?

19 A. Yes, that's true, although in reality, the
20 critical thing is that the investment that you are
21 taking these against be forward looking. And while you
22 try to make your factors themselves reflective of what
23 you're doing currently in terms of activities, and by
24 activities, you know, when you're placing power to
25 support equipment, when you're doing transportation,

01869

1 when you're doing warehousing, those kinds of things
2 that we're talking about when we talk about a TIF, you
3 want those to be as current as they can be, that's true.

4 Q. Now I understand that labor represents the
5 largest portion of the total TIF; is that correct?

6 A. Certainly can.

7 Q. And in the case of the TIFs that are proposed
8 in this proceeding, it is, in fact, the largest portion;
9 isn't that right?

10 A. Labor associated with transportation and
11 warehousing and that sort of thing. I don't know, if
12 you're referring to Telco labor specifically, I don't
13 know that those are necessarily a huge part of some of
14 these.

15 Q. And why don't you tell us just for the record
16 what Telco labor is?

17 A. Telco labor is what we refer to as our labor
18 or our contracted labor to install equipment, and so
19 that's higher in some instances than in others. If
20 you're talking about a complicated piece of equipment to
21 install, then your Telco labor is going to be a larger
22 part of it. If you're talking about a card that plugs
23 in, it's a smaller part.

24 Q. And in some cases, the Telco labor is as much
25 as 60% of the TIF; is that correct?

01870

1 A. I'm sure that could be the case.

2 Q. I want you to take a look at Exhibit 1027.

3 It's one of the cross exhibits.

4 JUDGE BERG: And that's also C-1027.

5 MS. STEELE: Right.

6 THE WITNESS: Yes.

7 BY MS. STEELE:

8 Q. And you recognize this as a response by Qwest
9 to a data request of the joint intervenor; is that
10 correct?

11 A. Yes.

12 MS. STEELE: I would like to request that
13 Exhibit 1027 and C-1027 be admitted at this time.

14 MS. ANDERL: No objection.

15 BY MS. STEELE:

16 Q. And the question here was Qwest was asked to
17 produce all documents upon which it relies to support
18 the TIF factors used in its cost studies in this
19 proceeding, and the documents attached are those
20 documents; is that correct?

21 A. Yes, that's correct.

22 Q. And these documents indicate that, and I'm
23 looking at page ten, beginning of page ten, that the
24 Telco labor portion of the TIF is based on data from the
25 year 1997; is that correct?

01871

1 A. Yes, that's correct.

2 Q. And this is the most current data available
3 for this?

4 A. No, that's not true. And if I may, in
5 reviewing this information and in answering this
6 particular data request, it came to my attention that we
7 may have misstated or may have provided I guess the
8 wrong impression in our -- in the testimony where it
9 says most current time period, and I got that in talking
10 to our analysts who do the work. And when they think of
11 most current time period, they think of most current
12 time period when they're performing the work.

13 Now these were 1999 TIFs that were prepared
14 during 1998 using year end 1997 data, which for them at
15 the time was the most current year end data that was
16 available. And I should have clarified that more
17 specifically in the testimony, because that's really
18 what we're talking about.

19 There are more current TIFs. There's a 2000
20 TIF that's based on 1999 data that's year end 1998, and
21 there's a 2001 TIF that's being worked on that will
22 reflect year end 1999 data. And, in fact, one of the
23 things that I have suggested to the analysts in
24 preparing this in the future is that perhaps rather than
25 using year end data that they might use 12 month rolling

01872

1 data in order to bring that up to a more current time
2 period when they're calculating this.

3 Q. Well, to the extent that there have been
4 productivity gains in Telco labor, for example since
5 1997, they would not be reflected in the TIF that's used
6 in this proceeding; is that correct?

7 A. Well, we have productivity gains that are
8 applied in other places in the cost study that reflect a
9 5% basically productivity gain that we used elsewhere
10 that applies against all investment after it's been
11 calculated.

12 Q. But that's not --

13 A. Reflected in these activities, no.

14 Q. Last line of questioning, I want to talk
15 about utilization, and we have already focused on this a
16 little bit going up to this non-shared equipment
17 utilization. We talked about the fact that essentially
18 what we have in column B beginning at lines 13, 14, and
19 15 are --

20 CHAIRWOMAN SHOWALTER: What page, where are
21 you?

22 MS. STEELE: I'm sorry, I'm on page ten of
23 the document.

24 CHAIRWOMAN SHOWALTER: Of which document?

25 MS. STEELE: Of exhibit 1021.

01873

1 CHAIRWOMAN SHOWALTER: The easiest thing is
2 begin with the exhibit first, and then let us get to it
3 and then the page and then the column.

4 MS. ANDERL: Exhibit number?

5 MS. STEELE: 1021, I'm looking at the cost
6 model, the document that we have been working off of,
7 the one I handed out.

8 MS. ANDERL: And, I'm sorry, Ms. Steele, are
9 we still looking at pages 10 and 11?

10 MS. STEELE: Yes.

11 BY MS. STEELE:

12 Q. And looking again beginning at line 11, the
13 box there that talks about utilization.

14 A. Yes.

15 Q. Okay. Now these average DSIs per system,
16 that is information that came from Qwest's subject
17 matter expert; is that correct?

18 A. Yes.

19 Q. And in your rebuttal testimony, Exhibit

20 1009 --

21 A. Yes.

22 Q. -- you indicate that that is based on current
23 utilization, which is somewhat less than the average
24 utilization shown on this document; is that correct?

25 A. Yes, that's correct.

01874

1 Q. Now the current utilization that you
2 reference in your testimony, is that any more current
3 than 1997?

4 A. Actually, that's current as of this year.

5 Q. Now that is based on usage end user
6 locations; is that correct?

7 A. Yes.

8 Q. And DSIs are, in fact, used within Qwest's
9 network for purposes other than to serve end user
10 locations; is that correct?

11 A. That's correct, but when you're talking about
12 a DS1 high capacity loop, by definition that's a loop
13 between a Qwest central office and an end user location.

14 Q. So in these cost studies, the company usage
15 of DSIs for purposes other than loops to end user
16 locations is not considered; is that correct?

17 A. That's correct, because these are loops for
18 -- I mean by definition the product is a loop to an end
19 user location, and so other uses of DS1 are not
20 considered.

21 MS. STEELE: That's all I have, thank you.

22 JUDGE BERG: Before we move on, I want to
23 indicate for the record that Exhibits 1027 and C-1027
24 are admitted.

25 And, Ms. Steele, the one exhibit that I show

01875

1 referenced that was not offered is Exhibit C-1021.

2 MS. STEELE: I would offer that at this time.

3 MS. ANDERL: No objection.

4 JUDGE BERG: All right, Exhibit C-1021 is
5 also admitted.

6 Ms. Hopfenbeck.

7 MS. HOPFENBECK: Thank you.

8

9 C R O S S - E X A M I N A T I O N

10 BY MS. HOPFENBECK:

11 Q. Ms. Million, I'm going to ask you for
12 purposes of my first line of questioning to get out a
13 couple of the exhibits that you have been looking at or
14 that you looked at with Ms. Steele.

15 A. Oh, okay.

16 Q. If you could -- first of all, I will tell you
17 I'm going to be talking to you about the nonrecurring
18 charges that Qwest has proposed for the UNE platform.

19 A. Okay.

20 Q. And I believe Qwest refers to the UNE
21 platform as UNE-C; is that --

22 A. In Washington that's true.

23 Q. Okay. So I would like to for purposes of the
24 examination have you pull out your Exhibit C-1010, and I
25 would ask you to begin at page 11 of that exhibit. I

01876

1 would also like you to have before you page 14 of
2 Exhibit C-1024. That's the confidential attachment
3 behind tab 3.

4 A. Yes.

5 Q. And then I would ask you to pull out Exhibit
6 C-1038 and 1038, both confidential and nonconfidential.

7 MS. HOPFENBECK: And I would ask, Ms. Anderl,
8 have you provided the witness with a copy of
9 nonconfidential 1038, Ms. Anderl, or do I need to do
10 that?

11 MS. ANDERL: We have done that. I will just
12 confirm with Ms. Million that she has a --

13 THE WITNESS: Yes, I have that.

14 MS. ANDERL: -- nonconfidential cover page.

15 THE WITNESS: Yes.

16 MS. HOPFENBECK: Okay.

17 BY MS. HOPFENBECK:

18 Q. Do you have all of those before you?

19 A. Yes, I do.

20 Q. Okay.

21 COMMISSIONER HEMSTAD: I'm sorry, I don't.

22 MS. HOPFENBECK: Okay, can I help you?

23 COMMISSIONER HEMSTAD: Just repeat the pages.

24 MS. HOPFENBECK: Yes, page 11.

25 CHAIRWOMAN SHOWALTER: Start with the exhibit

01877

1 number first.

2 MS. HOPFENBECK: Okay, Exhibit 1010, page 11,
3 C-1010, page 11. And then Exhibit C-1024, page 14,
4 that's behind tab 3. And then last, Exhibit C-1038, and
5 that will be the first page of that confidential
6 exhibit. Are we ready to begin?

7 CHAIRWOMAN SHOWALTER: (Nodding head.)

8 BY MS. HOPFENBECK:

9 Q. Ms. Million, initially I will ask you to
10 identify Exhibit 1038 and C-1038. Would you agree that
11 this document is a Qwest response to a data request from
12 MCI WorldCom?

13 A. Yes, it is.

14 Q. And is the information contained in that
15 response, do you have any corrections to make to that
16 response?

17 A. No, I do not.

18 MS. HOPFENBECK: I would move the admission
19 of Exhibits 1038 and C-1038.

20 MS. ANDERL: No objection, Your Honor.

21 JUDGE BERG: So admitted.

22 BY MS. HOPFENBECK:

23 Q. Ms. Million, as I understand your testimony,
24 Qwest has in its rebuttal case agreed with Ms. Roth's
25 recommendation that the customer transferred charge as

01878

1 established in the previous docket reflects a good proxy
2 for the nonrecurring charges that should be associated
3 with UNE-P; is that right?

4 A. What I would say is that at the time that
5 Ms. Roth provided us with her responsive testimony, she
6 suggested that the CTC was the appropriate price to use
7 for UNE-C, and at that time we agreed with her. We have
8 since in other states also calculated a CTC and UNE-C
9 charge or UNE-P charge that are in sync with each other.

10 Q. Okay. And that's because you agree that in
11 principle, the activities associated with transferring a
12 Qwest customer to a resaler are the same or
13 substantially the same activities as those required in
14 transferring an existing customer to another carrier who
15 will serve that customer using the UNE platform?

16 A. Yes, that's correct.

17 Q. Now directing your attention to Exhibit 1038,
18 am I correct that this document reflects the deep
19 background or deep, deep backup associated with the
20 estimates of time and probabilities for the customer
21 transfer charge that were used in Docket UT-960369?

22 A. Yes, I can't tell you about the docket
23 number, but I can tell you that this was what we
24 considered to be the backup to our CTC charge that's
25 been accepted by the Commission.

01879

1 Q. Okay. So if we look at the tasks that are
2 described on Exhibit 1038 and compare them to the tasks
3 that are described in confidential Exhibit 1010 filed in
4 this proceeding, they are the same, aren't they?

5 A. Yes.

6 Q. And the time in minutes and the probabilities
7 reflected on 1010 match the time in minutes and the
8 probabilities reflected on 1038?

9 A. Yes, that's correct.

10 Q. And since this time, I think you agreed with
11 Ms. Steele, in discussing this with Ms. Steele, Qwest
12 has updated its view of the probability that orders will
13 flow through; isn't that correct?

14 A. Yes, that's correct.

15 Q. And as compared with the numbers reflected in
16 1010 and 1038, Qwest believes that flow through is more
17 likely at this point in time; is that true?

18 A. Yes, that's correct.

19 Q. Okay. Now I would like to compare for a
20 moment Exhibit 1038 and Exhibit 1024, if you could pull
21 those together.

22 A. Okay.

23 Q. Okay Exhibit 1024 was the backup for the
24 nonrecurring charges Qwest originally filed in this
25 proceeding; is that right?

01880

1 A. Yes, that's correct.

2 Q. And the description of the tasks are what
3 Qwest viewed as the appropriate description of tasks as
4 it initially walked into this case; is that right?

5 A. Yes, that's correct.

6 Q. And I want to note something initially and
7 see if this is correct. Looking at the tasks that are
8 described in 1024, it appears that when an order flows
9 through, it is Qwest's current view that the only task
10 that will be necessary is the first task identified; is
11 that right, is the first task described?

12 A. I'm not sure I understand your question, I'm
13 sorry.

14 Q. Let me ask you this. Let me ask your counsel
15 for some direction here.

16 MS. HOPFENBECK: Are the tasks confidential;
17 are the descriptions of the tasks confidential?

18 MS. ANDERL: I don't think so.

19 MS. HOPFENBECK: I think the record will be
20 clearer if I just actually say what they are.

21 MS. ANDERL: Yeah, I think it would be, and
22 you can go ahead and describe what they are.

23 BY MS. HOPFENBECK:

24 Q. In looking at 1024, it appears that it is
25 Qwest's current view that the only task that would be

01881

1 necessary if an order flows through is the first task
2 that's described, which says:

3 If LSR file meets criteria for flow
4 through, the LSR is automatically sent
5 to flow through, and if order created
6 with no errors in service order
7 processor, a firm order confirmation is
8 automatically sent.

9 Do you see that description?

10 A. Yes.

11 Q. And would you agree that that's the only
12 thing that will happen with flow through?

13 A. Can I say that another way?

14 Q. Yes.

15 A. What this tells me is that for the first
16 activity listed here, if the flow through works and if
17 there are no errors and no fallout, then based on the
18 probability that's listed in the column, the second
19 column there with the numbers, then that percentage of
20 the time, this is the amount of time that this activity
21 is going to take.

22 And then there's also an assumption that for
23 the reciprocal of that or the converse of that, there
24 will be some other activity that's represented, for
25 example in step two, and that happens a certain

01882

1 percentage of the time as well.

2 Q. And, Ms. Million, that's what I'm trying to
3 get at. Let's look at the two probabilities assumed on
4 Exhibit 1024. Would you agree that the first
5 probability reflects Qwest's estimate of the percentage
6 of time that orders will flow through?

7 A. Yes.

8 Q. And when an order flows through, only task
9 number one will occur?

10 A. That would be correct.

11 Q. Okay. Now if you go back to looking at
12 Exhibit 1038, which is the description of activities for
13 the customer transfer charge and the description that's
14 now reflected in your exhibit, would you agree that the
15 first task described is really a combination of tasks
16 one and two in Exhibit 1024, so that the time identified
17 in Exhibit 1038 and on your Exhibit 1010 for the first
18 task.

19 A. Mm-hm.

20 Q. Which is assumed to happen in 100% of the
21 cases, is a time for the following activity:

22 Order screener accesses the CSR and LSR
23 and IMA and screens for fatal rejects.

24 If LSR fails flow through criteria,
25 order screener closes LSR screen, and

01883

1 LSR is automatically entered on work
2 list.

3 That task takes the total time minutes
4 reflected in the second column on 1038, correct?

5 A. Yes.

6 Q. And if, according to Qwest's current view,
7 you would agree that the second half of that activity,
8 if LSR fails flow through, order screener closes LSR
9 screen, and LSR is automatically entered on work list,
10 that second half of the activity only takes place when
11 there is no flow through; is that right?

12 A. Yes.

13 Q. So that activity, it is incorrect to assume,
14 as Qwest has in its current case, that that second
15 activity will occur 100% of the time, isn't it?

16 MS. ANDERL: I'm going to have to object,
17 Your Honor, just because the question was confusing to
18 me.

19 MS. HOPFENBECK: I can restate it.

20 MS. ANDERL: Thank you.

21 BY MS. HOPFENBECK:

22 Q. Just trying to walk through this, let's go to
23 1010, because I think we have laid the foundation for
24 this.

25 A. Okay.

01884

1 Q. Page 11.

2 A. Okay.

3 Q. Okay. Now you have assumed that the activity
4 described on page 11 will occur in 100% of the cases?

5 A. Yes.

6 Q. On this document?

7 A. That's correct.

8 Q. But wouldn't you agree that the only part of
9 the activity that's described here that will occur in
10 100% of the cases is the first activity, that is order
11 screener accesses the CSR and LSR and IMA and screens
12 for fatal rejects?

13 A. Well, I'm not the subject matter expert in
14 this process, and, you know, all I can tell you is that
15 this is the way that our subject matter expert and our
16 cost analyst wrote the description here. I do
17 understand why it seems as though it shouldn't be 100%,
18 but I think what they're saying is that this activity in
19 total takes this amount of time, and they expect to do
20 this 100% of the time.

21 Q. But if you, looking at Exhibit 1024; can you
22 look at that for a minute with me?

23 CHAIRWOMAN SHOWALTER: Page 14?

24 Q. Page 14, yes.

25 A. Yes.

01885

1 Q. And if you look at the description of the
2 first two tasks.

3 A. They split those out in the subsequent item,
4 and they have assigned different probabilities to them,
5 that's correct.

6 Q. You agree?

7 A. Yes.

8 Q. All right.

9 A. But --

10 Q. Thank you.

11 A. Okay.

12 Q. Now you had a discussion with Ms. Steele
13 about the six minutes that was assumed throughout in a
14 variety of the NRC.

15 A. Yes.

16 Q. A variety of circumstances in the NRC study.

17 A. Yes.

18 Q. That six minutes is an assumption for the
19 time that is necessary in the interconnect service
20 center; is that right?

21 A. Yes, that's correct.

22 Q. But that six minutes is not used and
23 reflected in the UNE-C existing POTS first line?

24 A. No, it is not, and that's because we're
25 reflecting the CTC study that was previously filed.

01886

1 Q. But isn't it true that the activities that
2 Qwest expects will occur in the interconnect service
3 center when receiving a UNE-C existing first line order
4 are substantially the same activities that go on in the
5 interconnect service center for all the other orders it
6 receives from all the other UNEs?

7 A. Actually, no, that's not the case at all. If
8 you look at the detail in Exhibit C-1010, the
9 interconnect service center activities -- well, I'm
10 sorry, unfortunately in our Washington study, we have
11 changed what is listed in the interconnect service
12 center strictly to say provision order six minutes, and
13 we have used that consistently all the way through all
14 of these other products.

15 In another state in a similar study, you
16 would find a variety of different activities listed and
17 different times based on what type of product we were
18 talking about, what type of UNE. So in other words, the
19 DS1 capable loop doesn't look anything like necessarily
20 the -- like the UNE-C in terms of what happens in the
21 interconnect service center.

22 Q. Well, let's talk just a second about can I
23 direct your attention to page 25 of Exhibit 1010.

24 A. Sure.

25 Q. Now this is the first page of the backup for

01887

1 the development of the NRC associated with UNE-C new
2 POTS first line, isn't it?

3 A. Yes, it is.

4 CHAIRWOMAN SHOWALTER: Can we stop for a
5 moment off the record.

6 (Discussion off the record.)

7 BY MS. HOPFENBECK:

8 Q. Ms. Million, the first question I will ask is
9 do you see column B?

10 A. Yes, I do.

11 Q. Should that number be six?

12 A. No.

13 Q. Okay.

14 A. May I explain to you why?

15 Q. Well, I was just -- I just wanted to find out
16 if that should be six.

17 A. No, it's --

18 Q. Yeah, you can go ahead and explain why.

19 A. When Ms. Roth in her responsive testimony
20 again had suggested specific changes, she had suggested
21 for a UNE-C existing that we reflect what was in CTC,
22 and we agreed that that was an appropriate reflection
23 minus, of course, the OSS costs that are included in the
24 CTC that was filed previously and approved by the
25 Commission.

01888

1 And then she suggested some specific times
2 and probabilities to use for UNE-C new, and we adopted
3 those as well at the time as being a positive change or
4 a good thing that we should do with regard to UNE-C.
5 And again, this is not going to be reflective of the six
6 minutes, because it was a specific change that we
7 adopted that Ms. Roth suggested. And that's explained
8 in my rebuttal testimony. It says that we adopted -- we
9 felt that --

10 Q. Okay.

11 A. -- for consistency's sake we ought to adopt
12 the six minutes that was agreed to previously in
13 everything except the UNE-C, for which we were adopting
14 specifically Ms. Roth's recommendations.

15 Q. And then I guess let me ask you in what
16 respect does the activity in the interconnect service
17 center for UNE-C new POTS first line take more time than
18 the activity in the interconnect service center for
19 other services for which you have reflected six minutes?

20 A. I'm sorry, would you repeat that question?

21 Q. Well, you have assumed that it takes more
22 time to do the tasks in the interconnect service center
23 for UNE-C new POTS first line than Ms. Roth's
24 recommendation with respect to other UNE services; is
25 that right?

01889

1 A. No, we adopted the six minutes for everything
2 else based on the fact that we had been ordered to adopt
3 that previously in our nonrecurring studies for the
4 interconnect service center. And then we adopted what
5 specifically Ms. Roth was suggesting, or at least our
6 interpretation, our understanding of what she was
7 suggesting, for UNE-C new. And it is more time, you're
8 correct.

9 But if you're asking if that is more time
10 than what we would propose are the appropriate
11 interconnect service times in these other services, no.
12 Our interconnect service times in everything else are
13 considerably higher than six minutes.

14 Q. Right, and what I was just asking you was a
15 different question than you have just answered, and that
16 is --

17 A. I'm sorry.

18 Q. It's a little confusing, because I understand
19 you're trying to distinguish what you have done in your
20 rebuttal testimony in terms of agreeing with Ms. Roth
21 from Qwest's own position.

22 A. Correct.

23 Q. And what I'm asking you is in what respect --
24 or I will just ask you straight out.

25 Do the activities that are necessary in the

01890

1 interconnect service center take more time for UNE-C new
2 POTS first line than the activities for other UNEs in
3 Qwest's view?

4 A. Under our current view, probably not.

5 Q. Thank you. Now I notice here that part of
6 what Qwest has adopted with respect to UNE-C new POTS is
7 a different probability as well?

8 A. Yes.

9 Q. And is it fair that the probability reflected
10 here is the probability -- the number that's reflected
11 in column C, is the probability that the activity will
12 be manual?

13 A. Yes.

14 Q. Thank you. Now finally, turning to -- Qwest
15 assumes that the same activities will take place in the
16 interconnect service center for provisioning both UNE-C
17 existing and UNE-C new, don't they?

18 A. I don't have that information here, because
19 these are not our assumptions around times.

20 Q. Well, looking at Exhibit 1024.

21 A. Exhibit 1024.

22 Q. 1024 is Qwest's own assumptions for times.

23 A. Yes, I'm sorry.

24 Q. And Qwest has submitted the same document
25 process times and probabilities as backup for its

01891

1 assumptions for UNE-C existing and UNE-C new; isn't that
2 right?

3 A. Yes, I'm sorry, that is correct.

4 Q. Okay. So there is no reason to distinguish
5 from UNE-C existing from UNE-C new from Qwest's
6 perspective with respect to the activities necessary in
7 processing an order; is that right?

8 A. In the interconnect service center, in
9 processing an order through the interconnect service
10 center, that's correct.

11 Q. Thanks. Now I would like to talk to you -- I
12 would like to direct your attention again to page 11 and
13 talk to you about some of the costs. Excuse me, did I
14 say 1010? I may have misspoken, Exhibit C-1010, page
15 11.

16 A. Yes.

17 Q. I would like to talk to you about a few of
18 the directly assigned costs.

19 MS. ANDERL: I'm sorry, that reference to
20 Exhibit C-1010, page 11, was that to direct the
21 witness --

22 Q. Oh, I'm sorry, page 13.

23 JUDGE BERG: So we're going to Exhibit
24 C-1010, page 13.

25 Q. New topic.

01892

1 A. Yes.

2 Q. Now if I understood your testimony in answer
3 to Ms. Steele's questions, as I understand how Qwest
4 develops its recommended prices in this proceeding is
5 you develop a cost, then to that you add, which is a
6 labor cost or a material cost, the elements of the cost,
7 to that you add directly assigned costs?

8 A. Yes.

9 Q. And then it's you add -- that it's the total
10 of those two figures to which you applied the 19.62%
11 directly attributed cost factor, correct?

12 A. Yes.

13 Q. And then you add the 4.05% common cost factor
14 to that; is that right?

15 A. Yes, correct.

16 JUDGE BERG: Let me just double check that
17 these are nonconfidential percentages that are being
18 kicked around.

19 THE WITNESS: Oh, yes, they are. They're the
20 Commission ordered directly attributable and common
21 factors.

22 JUDGE BERG: All right, thank you.

23 BY MS. HOPFENBECK:

24 Q. Now for purposes of these questions, I'm
25 going to have you turn your attention to Exhibit 1031

01893

1 and Exhibit 1030. Initially, Ms. Million, do you
2 recognize Exhibit 1030 as Qwest's response to Joint
3 Intervenor Data Request 340?

4 A. Yes, I do.

5 Q. And do you recognize Exhibit 1031 as Qwest's
6 response to Joint Intervenor Data Request 341?

7 A. Yes.

8 Q. Are there any corrections that you would make
9 to the responses contained in these documents at this
10 time?

11 A. No.

12 MS. HOPFENBECK: I would move the admission
13 of Exhibits 1030 and 1031.

14 MS. ANDERL: No objection.

15 JUDGE BERG: So admitted.

16 MS. ANDERL: And the confidential attachments
17 as well?

18 MS. HOPFENBECK: And the confidential
19 attachments also.

20 JUDGE BERG: Yes.

21 BY MS. HOPFENBECK:

22 Q. Now as I understand what confidential
23 attachment or confidential 1030 is, this is a document
24 that describes the development of investment loading
25 factors and annual cost factors, including the factors

01894

1 that are directly -- including costs that are directly
2 assigned in the NRCs; is that right?

3 A. Yes, I mean this is the -- this is what we
4 refer to as our annual cost factors book, and it shows
5 the development of a variety of cost factors, the total
6 investment factor.

7 Q. Okay.

8 A. Yes.

9 Q. And among the factors described in this
10 annual cost factor book are the product management
11 expense, sales expense, and business fees that are
12 directly assigned in calculating the nonrecurring costs
13 that are at issue in this proceeding; is that right?

14 A. I believe those are in here, although --

15 Q. Well, let's --

16 A. I'm not seeing them described.

17 Q. Let's look at tab 18, page 1 of 3, in Exhibit
18 C-1030.

19 A. Yes.

20 Q. Tab 18 does discuss the directly assigned
21 factors, including product management expense, sales
22 expense factor, product advertising expense factor. And
23 then on page two --

24 A. Yes, I'm sorry, when I was looking at this,
25 it was hidden up under my clip, and I couldn't see it

01895

1 before. But yes, it is here.

2 Q. First of all, I would like to talk about what
3 product management expense is. As described at tab 18
4 generally, product management expense is supposed to
5 include costs incurred in performing administrative
6 activities related to marketing products and services;
7 is that right?

8 A. Yes.

9 Q. And then there's a more detailed description
10 at tab 18, which describes the types of activities
11 included, and one of them is competitive analysis; is
12 that right?

13 A. That looks to me like what the description
14 says.

15 Q. Now competitive analysis would be, would you
16 agree that competitive analysis is sort of assessing the
17 degree of competition in the market for the product at
18 issue?

19 A. Yes.

20 Q. Now in this particular market, when you're
21 talking about unbundled network elements, you would
22 agree that there's much less competition in that market
23 than there are in say Qwest's retail markets; would you
24 agree?

25 A. Yes.

01896

1 Q. And would you agree there would be probably
2 little need to do much competitive analysis for purposes
3 of the unbundled network element products that Qwest
4 provisions to carriers?

5 A. Yes, I would agree with that.

6 Q. Now product and service identification and
7 specification are another task under product management
8 expense.

9 A. I'm sorry, what page are you on?

10 Q. I'm at tab 18.

11 A. Page 1 of 3?

12 Q. Page 1 of 3.

13 A. Yes.

14 Q. Now product and service identification and
15 specification is one of the tasks that Qwest undertook
16 in developing its OSS for unbundled network elements; is
17 that fair?

18 A. Would you repeat that question, please?

19 Q. Would you agree that in developing its OSS to
20 provide unbundled network elements, among the activities
21 Qwest had to do was to identify the products and
22 services that it was going to provide carriers as
23 unbundled network elements?

24 A. Yes.

25 Q. And Qwest has sought recovery already of the

01897

1 costs associated with that activity; isn't that right?

2 A. Yes.

3 Q. The next task is test market planning. Would
4 you agree there's little need to do test market planning
5 for purposes of provisioning unbundled network elements?

6 A. Yes.

7 Q. How about demand forecasting now today?

8 A. Demand forecasting is absolutely a part of
9 what you do when you develop costs for UNEs.

10 Q. UNEs, okay, so there's one activity under
11 product management expense that is necessary. How about
12 product life cycle analysis, would you agree that the
13 products that are being provisioned as unbundled network
14 elements require probably less product life cycle
15 analysis than other products?

16 A. Well, you know, I guess -- I mean you're
17 stepping me through each of these items, and I'm
18 certainly not a wholesale product manager. The product
19 management expenses that we are developing on UNEs are
20 those activities that are related to our wholesale
21 product managers, and we have separate groups of
22 wholesale product managers versus retail product
23 managers. And the fact that we have got a description
24 in here that generically describes product management
25 expense, I don't know necessarily how that relates

01898

1 specifically to what our wholesale product managers do.
2 I can tell you that this is a generic
3 description of what product management may or may not
4 entail. This may be something that applies. Some of
5 these things that you're describing may apply only to
6 the retail side. Some of them may apply to the
7 wholesale side. But not being a wholesale product
8 manager myself, I can't tell you specifically which ones
9 do and don't apply.

10 Q. Does Qwest have a witness in this proceeding
11 who has more wholesale product knowledge than you do
12 that I should be directing these questions to?

13 A. Well, the person who can really address this
14 is the same person that addressed it in the last
15 proceeding when we went through and discussed all of
16 these four items, and that would have been Ed Freye
17 probably.

18 Q. So in this proceeding, there isn't a person?

19 A. I don't know that there is, no.

20 Q. Okay. Then let me direct, to conclude this
21 line of questioning, I would like to direct your
22 attention to Exhibit 1032, oh, excuse me, 1031.

23 A. Okay.

24 Q. Do you agree that confidential attachment A
25 is a spreadsheet showing corresponding retail factors

01899

1 calculated in the same period in which the wholesale
2 factors were calculated?

3 A. Yes, I would agree that these represent the
4 same time frame or the same vintage generally that we
5 used in our wholesale studies.

6 Q. Okay. Now turning to the second page of the
7 confidential attachment, I would just like to ask you
8 whether the factors listed under for group 1 residents,
9 group two business, Centrex, private line, PBX, ISDN,
10 public, ACS, and the rest of the groups are the same
11 directly assigned factors that we have been discussing
12 and are discussing now with respect to wholesale
13 services; is that right?

14 A. These are the retail representation of the
15 product management and sales and product advertising
16 expenses.

17 Q. Okay. And I noticed that the actual factor
18 for each group of products, each product group listed on
19 the second page to this confidential Exhibit 1031, it's
20 -- you have identified a different factor for each
21 product group for say product management expense; is
22 that right?

23 A. Yes.

24 Q. And the factor for product management expense
25 associated with the retail residential product group is

01900

1 considerably lower than the factor for product
2 management expense reflected on your NRC study for the
3 UNE platform; is that true?

4 A. Not in all cases, but in some cases, that's
5 true.

6 Q. For this question, I was directing your -- I
7 was asking you to compare the product management expense
8 factor associated with the residential product group one
9 with the product management expense factor used in your
10 UNE-P study.

11 A. Yes, that one is lower. The one down for
12 group 7 is quite a bit higher.

13 Q. And that's listings, features, information,
14 services, and miscellaneous; is that right?

15 A. Yes. And you do understand that the
16 investment basis that these apply against are not the
17 same, and so you wouldn't -- these don't represent the
18 same factor. There's a TELRIC version of investment
19 that you develop based on forward looking costs, and
20 then there's a TSLRIC version of investment that you
21 develop, and those two things are not the same. They're
22 not defined the same. And so you wouldn't apply the
23 same factor. If you applied the same factor and
24 developed the investment the same, you wouldn't have a
25 difference between TSLRIC and TELRIC. The reason you

01901

1 have a difference is because you develop different
2 investments based on different rules, and you then apply
3 factors that are appropriate for those differences in
4 investment. So they're not going to be the same.

5 Q. And in terms of developing those factors,
6 just so that we're clear, the same methodology is used
7 for developing the factors regardless of the product
8 group; isn't that true?

9 A. The same --

10 Q. The same formula is used?

11 A. The same --

12 Q. But the inputs to the formula are different?

13 A. Yes, thank you.

14 Q. Is that right?

15 A. Yes.

16 Q. Okay, thank you. Okay, I would now like to
17 move to a different area and talk to you about just one
18 element of the total investment factor that you spoke
19 about briefly with Ms. Steele.

20 A. Okay.

21 Q. Among the components of the total investment
22 factor is power; isn't that right?

23 A. Yes.

24 Q. And generally speaking to sort of lay a
25 background, the total -- what you're trying to determine

01902

1 with respect to developing the power factor is the
2 relationship of power equipment expense to central
3 office equipment expense; is that fair?

4 A. It's more specific than that. It's the power
5 needed to power the specific equipment. So in other
6 words, it's a relationship of the power for that
7 equipment, not power generally, not power -- not all
8 power in the central office, not -- you see what I'm --
9 how I'm trying to distinguish this? You've got power
10 that is --

11 Q. Well, it's the relationship of an investment
12 in power equipment required for the central office
13 equipment; is that right?

14 A. Yeah, for the equipment that the TIF applies
15 to, that's true.

16 Q. Okay. Well, then let me ask you, where did
17 -- you got the investment in power equipment, you got
18 that number, the numerator, if you will, from what
19 source?

20 A. I'm sorry, we have an exhibit here that shows
21 the development of that.

22 Q. Isn't it from the plug-in inventory control
23 systems detailed continuing property records? And I
24 would direct your attention to Exhibit 1027, page 31.

25 A. Thank you. Well, actually, what I was

01903

1 looking for was the printout of the program that we run
2 to determine what those power amounts are.

3 Q. But in any event, I mean the source of that,
4 those investment figures, are the detailed continuing
5 property records that U S West maintains; is that fair?

6 A. Yes.

7 Q. Now in extracting that power investment --
8 well, first of all, I will ask you this.

9 Would you agree that in the last or during
10 the period of time in which -- let me start over.

11 I think in discussions with Ms. Steele, you
12 indicated the time period from which you retrieved the
13 investment figure to develop the power factor, and that
14 was end of year 1997?

15 A. Yes.

16 Q. So that would have captured all investment in
17 power equipment through the end of the year in 1997; is
18 that correct?

19 A. For the year 1997, yes.

20 Q. Okay. Now wouldn't you agree that there were
21 competitive local exchange carriers collocating in Qwest
22 central office during that year?

23 A. Yes, but again, see, that's why I was trying
24 to distinguish before. The power that we're talking
25 about in the TIF is not power generally for things like

01904

1 collocation. It's the power to power the specific piece
2 of equipment, so it's the power to power the hard wired
3 equipment if necessary. It's not power generally in a
4 collocation.

5 Q. Let me explore this a little bit. You agree
6 that in -- that among the costs associated with
7 collocation can -- are -- is often additional power
8 equipment that's necessary to take into account the fact
9 that collocators are locating additional switching
10 equipment in the central office beyond what Qwest has
11 historically used.

12 A. Yes.

13 Q. Is that fair?

14 A. Yes, that's absolutely true.

15 Q. And I didn't see anything in your testimony
16 to indicate that you made a specific adjustment to the
17 power investment figure that you pulled from your books
18 to back out power investment made during 1997 that was
19 associated with increases in power equipment necessary
20 due to collocation; was such an adjustment made?

21 A. No, and you wouldn't have made such an
22 adjustment, because the power that we're calculating for
23 the TIF is specifically related to the equipment that's
24 being placed. In other words -- and that has nothing to
25 do with -- and it's identified by those equipment codes.

01905

1 In other words, it's power that's associated with those
2 equipment codes and has nothing to do with the power
3 that generally would have been -- the cost for power
4 that generally would have been incurred for collocation.
5 They're two separate things.

6 Q. Well, it's my understanding that in -- that
7 among the Qwest requirements when -- that from time to
8 time when a collocator seeks to collocate equipment in
9 Qwest's central office, then for a variety of reasons
10 from time to time that necessitates Qwest having to
11 essentially upgrade its power equipment that generally
12 cools, for example, the central office?

13 A. Correct.

14 Q. And are you suggesting that that investment
15 has been somehow -- is not included in the power
16 investment number that you used to develop the power
17 factor in this case?

18 A. Correct.

19 Q. You keep that as a separate booked expense?
20 How does Qwest segregate that expense?

21 A. When you look at how we pull the power, it's
22 based on the FRC related to the equipment. And so the
23 -- we're talking about -- and maybe one of the engineers
24 can explain this better than I can. But when you place
25 a piece of equipment, there's power sometimes necessary

01906

1 in placing that piece of equipment or to power that
2 piece of equipment. That cost is identified separately
3 from the type of power that you're talking about where
4 we have upgraded our power in order to support
5 collocation generally, because we're selecting power
6 that's specifically associated with that piece of
7 equipment, and it's a very different kind of cost.

8 Q. So you're also saying that the power plant
9 that is used to cool Qwest's central office generally
10 and keep the equipment in that office operating
11 satisfactorily even when it's for Qwest's purposes is
12 not included in the power investment factor calculation?

13 A. Yes, not in this.

14 Q. All right.

15 A. Not in this calculation.

16 Q. Thanks. Now, Ms. Million, you addressed in
17 your rebuttal testimony, which is at Exhibit T-1009, you
18 responded to the testimony that was filed by
19 Mr. Bobeczko from WorldCom. That testimony is now being
20 adopted by Ms. Krauss. But I would like to ask you a
21 few questions about that testimony that begins I think
22 on page 13 of your rebuttal testimony.

23 A. Yes.

24 Q. Initially would you agree that the cost model
25 that Qwest submitted in the UT-960369 or provided in

01907

1 that docket to support its recommendation for loop costs
2 was RLCAP?

3 A. Yes, it was.

4 Q. And since that model RLCAP was submitted in
5 Washington, Qwest has revised RLCAP, and that model is
6 now called loop MOD; is that right?

7 A. Yes.

8 Q. Loop MOD reflects a number of changes and, if
9 you will, updates to RLCAP; is that fair?

10 A. Yes.

11 Q. Now before getting into this, if I'm going to
12 ask questions about the specific changes that have been
13 made in loop MOD relative to RLCAP, should I direct
14 those questions to Mr. Buckley?

15 A. Yes, you should.

16 Q. Okay, then I will stop that line.

17 A. Okay, I was going to say, of course, HAI 3.1
18 was also submitted and was used to develop the costs for
19 the loop, and now we have HAI 5.2.

20 Q. Right.

21 A. So yes, the cost models are updated, and we
22 continue to view this as a dynamic process.

23 Q. And would you agree that all the model
24 developers are updating those models in an attempt to
25 derive better estimates of the cost, of the forward

01908

1 looking cost of providing unbundled network elements?

2 A. Yes.

3 Q. Okay. You also discuss in that portion of
4 your testimony the fact that there's a variety of -- you
5 were addressing the profitability analysis that
6 Ms. Krauss is now sponsoring and mentioned that there
7 are a variety of factors that need to be considered in
8 addition to the residential basic exchange revenues; do
9 you see that testimony?

10 A. Sure.

11 Q. And you identify switched access revenues
12 that you believe should be taken into consideration; is
13 that fair?

14 A. Actually, I said other considerations include
15 revenues from vertical services such as switched access,
16 toll calling features, and data services.

17 Q. Okay. Now you're aware that the analysis
18 that's being sponsored by Ms. Krauss does include
19 revenues associated with switched access services; is
20 that correct?

21 A. No, I was not aware of that.

22 Q. You weren't. Were you aware that that
23 analysis included revenues associated with provisioning
24 one feature to each customer?

25 A. No, I was not. I didn't recall in reading

01909

1 that testimony that there was any specific mention of
2 what revenues were included.

3 Q. I think there's a footnote on the document,
4 and you don't recall seeing that footnote?

5 A. I'm sorry, I may not have.

6 Q. Now with respect to data services, you would
7 agree that in order to provision data service using UNE
8 platform there are additional -- there are costs in
9 addition to the switch port shared transport and the
10 loop that must be incurred by the competitive local
11 exchange carrier to provision data services?

12 A. Sure, there are always costs associated with
13 providing any kind of service.

14 Q. And those costs would include costs
15 associated with DSLAM; would you agree?

16 A. Quite possibly, depending on what type of
17 architecture you develop.

18 Q. And line splitting is necessary to provision
19 DSL; is that correct?

20 A. No, I would disagree with that. Line
21 splitting would be necessary if you were going to do the
22 voice and you wanted somebody else to do the data, but
23 you certainly could do the voice and the data yourself.

24 Q. But the line has to go through a splitter,
25 don't you agree?

01910

1 A. It could be part of the DSLAM though.

2 Q. Okay.

3 A. In our case, the splitter is an integral part
4 of the DSLAM, so.

5 Q. In any event, you do have to purchase
6 equipment to accomplish the separation of the voice and
7 data spectrums in order to provision data services to a
8 customer; do you agree?

9 A. Sure.

10 Q. Now with respect to toll service, you would
11 agree that in many cases, a residential or small
12 business customer that will be -- that a company like
13 WorldCom would provision local exchange service to, that
14 many of those customers could already be receiving both
15 intrastate and interstate toll service from MCI WorldCom
16 before they switched to voice service; isn't that fair?

17 A. I guess, I don't know if you provision that
18 service to those people in this area or not.

19 Q. Okay.

20 A. But --

21 MS. HOPFENBECK: I have no further questions
22 for this witness, thank you.

23 MS. ANDERL: Your Honor, if I might just
24 follow up on the line of questioning that Ms. Hopfenbeck
25 was attempting to pursue with Ms. Million. We would

01911

1 suggest that Mr. Kennedy, our wholesale product witness,
2 is the correct witness in case Ms. Hopfenbeck wants to
3 ask more about the product management fees or expenses.

4 JUDGE BERG: All right, thank you for
5 mentioning that at this point in time.

6 Mr. Harlow.

7 MR. HARLOW: Thank you, Your Honor.

8

9 C R O S S - E X A M I N A T I O N

10 BY MR. HARLOW:

11 Q. Good afternoon, Ms. Million.

12 A. Good afternoon.

13 Q. I'm Brooks Harlow, I represent Covad
14 Communications in this docket, and I'm going to refer
15 you to various portions of your pre-filed testimony and
16 just take it in order of filing starting with the August
17 4 testimony, which is Exhibit T-1001. Do you have that
18 testimony in front of you?

19 A. Yes, I do.

20 Q. You might turn to page nine, the bottom of
21 page nine, the top of page ten, where you address
22 subloop unbundling. You describe it, and in particular
23 you refer to access points including any point on the
24 loop where a technician can access the wire or fiber
25 without removing a splice case.

01912

1 A. Yes.

2 Q. First of all, can you give me some examples
3 of what kind of locations this might include?

4 A. I would rather have you ask that of one of
5 our engineers. They're certainly more familiar with
6 what all the technically feasible points are much more
7 so than I am.

8 Q. Who would be the best witness in this docket
9 to ask that?

10 A. Jeff Hubbard.

11 Q. If you will just give me a moment to see if I
12 have any specific cost questions that I need to address
13 to you. At page 12 of your direct, your August
14 testimony, you talk about subloop prices being based on
15 a percentage of investment between feeder and
16 distribution.

17 A. Yes.

18 Q. Do you have any knowledge regarding or is
19 there anything in your testimony that addresses subloop
20 prices for the high frequency portion of the UNE loop or
21 the HUNE in the case of line sharing over an unbundled
22 loop, a subloop?

23 A. No.

24 Q. Do you have any understanding as to how Qwest
25 provides line sharing over a fiberfed loop?

01913

1 A. I'm sorry, would you repeat that?

2 Q. Okay. Do you understand, first of all I
3 guess for the record, do you understand what line
4 sharing refers to?

5 A. Yes, I do.

6 Q. Okay. That would be where a single -- a loop
7 provides both a voice service and data or digital
8 subscriber line DSL service over the same loop?

9 A. Yes.

10 Q. Okay. And in the case of a totally copper
11 loop, the architecture is fairly simple. In other
12 words, the voice service uses the low frequency portion
13 of the loop, and the data services use the high
14 frequency portion of the loop.

15 A. Yes.

16 Q. Is that correct?

17 A. That's correct.

18 Q. Okay. And in the case of subloop unbundling
19 which you described the costing of that, is it your
20 understanding that there will be typically a copper
21 subloop running from a remote terminal or a feeder
22 distribution interface, FDI, to the customer premise?

23 A. Well, it's my understanding that in a copper
24 loop, there's both feeder and distribution. And an FDI
25 or an SAI, serving area interface, might be a place

01914

1 where feeder meets up with distribution.

2 Q. Right, I'm trying to I guess hone in on a
3 different type of architecture starting with the subloop
4 portion between the remote terminal and the customer
5 premise.

6 A. From a feeder distribution interface or a
7 serving area interface to the customer prem would be the
8 distribution piece of the loop?

9 Q. Yes.

10 A. Generally speaking, that's true.

11 Q. And would your cost studies typically assume
12 that that was a copper loop?

13 A. The DSO equivalent loop that we're talking
14 about here in this testimony where I'm giving the
15 example about how we developed that cost does assume the
16 loop is primarily copper. It's based on the unbundled
17 loop that we have developed a cost for. Now there is
18 some fiber in the loop when you develop that cost, but I
19 mean typically you're talking about a copper loop.

20 Q. Okay. And now what about the feeder portion
21 or the portion of the loop between the Qwest serving
22 wire center or central office and the remote terminal or
23 FDI, that wouldn't necessarily be copper in all cases?

24 A. It could be copper, it could be fiber, I mean
25 there were --

01915

1 MS. ANDERL: Your Honor, I guess I have been
2 letting Mr. Harlow go here because I have been trying to
3 figure out whether there were cost questions at the end,
4 but.

5 MR. HARLOW: Yes, there are.

6 MS. ANDERL: Otherwise I'm going to have to
7 object, because I think he's --

8 BY MR. HARLOW:

9 Q. Well, I'm asking from a costing perspective,
10 if that helps, if the cost studies assume that there is
11 a mix of copper and other technologies in that --

12 A. In the feeder portion, yes.

13 Q. Okay. Now it's my understanding that you
14 haven't done any cost studies regarding provisioning of
15 DSL over the feeder portion of loop; is that correct?

16 A. We haven't done any cost studies trying to
17 determine -- let me see if I understand this. The HUNE
18 for a subloop, no, we have not.

19 Q. Either the feeder portion or the distribution
20 portion?

21 A. Not separately, no.

22 Q. In zone 1, if you will accept this subject to
23 check or feel free to check, the distribution portion --
24 I guess I better ask you first.

25 Is the distribution portion of the zone 1

01916

1 price a confidential number?

2 A. The price itself, no.

3 Q. Okay. Would you -- so that's \$5.46 as I
4 understand it?

5 A. Yes, that's correct.

6 Q. And are you aware that the Commission ordered
7 that the high frequency UNE should be \$4 recently in
8 this docket?

9 A. Yes, I am aware of that.

10 Q. And would you think that if you were to cost
11 out the high frequency portion of the UNE that the high
12 frequency portion would be that high of a percentage of
13 the zone 1 total distribution cost for that distribution
14 portion of a loop?

15 MS. ANDERL: I object, Your Honor.

16 A. I have no idea.

17 MS. ANDERL: I object, Your Honor, that
18 costing of the high frequency portion of the subloop is
19 both outside the scope of this docket and outside the
20 scope of Ms. Million's testimony.

21 MR. HARLOW: I think we can move on given the
22 witness's answer.

23 BY MR. HARLOW:

24 Q. At page 12 still --

25 CHAIRWOMAN SHOWALTER: Is that -- was --

01917

1 MR. HARLOW: I will withdraw the question.
2 Based on my understanding, the witness doesn't have an
3 answer.

4 JUDGE BERG: I understood it was withdrawn.

5 MS. ANDERL: Well, then there's Mr. Harlow's
6 representation on the record that the witness said she
7 has no idea. So is counsel withdrawing the question, or
8 does counsel want a representation on the record?

9 JUDGE BERG: Well, the record -- if the
10 reporter took it, the representation is on the record.
11 And then the way I understand it is based upon what we
12 heard on the record, he is withdrawing the question.
13 But if you think it needs to be cleaned up, we can go
14 back through it and do that.

15 THE WITNESS: May I say that I think he asked
16 me prior to that whether or not we had done any studies
17 to calculate a HUNE for a subloop, and I indicated that
18 no, we had not. And so that was the basis of my answer
19 that since we haven't calculated any studies, we don't
20 have any idea what the high frequency portion of the
21 subloop might look like.

22 MS. ANDERL: I'm satisfied with the record
23 the way it stands.

24 MR. HARLOW: Never mind, Your Honor.

25 BY MR. HARLOW:

01918

1 Q. In studying the loop and feeder portions of
2 the subloop, is there any assumption that there's a next
3 generation digital loop carrier, or NGDLC, in the
4 network?

5 A. I'm sorry, I am not familiar with the term
6 NGDLC. I am familiar with digital loop carrier, and we
7 have assumptions around that in the loop that was
8 previously determined by this Commission.

9 Q. Would you just describe for the commissioners
10 what you understand digital loop carrier to be?

11 A. I was afraid you were going to ask me that.

12 Q. Not in technical terms.

13 A. I was going to say, Mr. Buckley can certainly
14 tell you in better terms than I can. But digital loop
15 carrier is something that allows us to use electronics
16 with fiber in order to extend the reach of a loop.

17 Q. Do you have any understanding that there are
18 different kinds of digital loop carrier available today?

19 A. No, I am not aware of that.

20 Q. Would Mr. Buckley be the one to ask that?

21 A. Mr. Buckley would be the one to ask that.

22 Q. Do you have any knowledge as to whether or
23 not the cost studies assume a single kind of digital
24 loop carrier technology is used?

25 MS. ANDERL: Again, Your Honor, I would have

01919

1 to object. It's clear that we are basing the average
2 and the subloop on the Commission ordered loop price
3 already, and that docket has a long and checkered past.
4 But I think that -- I mean I guess I'm not sure what
5 Mr. Harlow is trying to get at, but it seems to me that
6 he is trying to explore issues that are really outside
7 the scope of this witness's testimony or even this
8 proceeding.

9 MR. HARLOW: Well, the witness has testified
10 that the costs that she has presented are consistent
11 with TELRIC costing and pricing principles, which assume
12 forward looking technology. And it would seem to me
13 that even though the witness is not a technical expert
14 that the witness ought to at least be familiar with the
15 types of technologies used in the cost studies. I mean
16 I will reserve my questions for what the capabilities of
17 those technologies are for Mr. Buckley, but I think I'm
18 entitled to explore whether or not Qwest considered
19 different types of DLC technologies and then address
20 later with Mr. Buckley which are the forward looking
21 technologies.

22 JUDGE BERG: Well, let me say this,
23 Mr. Harlow, tell me if I'm off the mark. What I heard
24 this witness testify was that the studies that she is
25 sponsoring were not based upon the most efficient

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1 technology that any other carrier might use but the
2 technologies that in fact Qwest was currently using. Is
3 that something that goes to the point you're driving at?

4 MR. HARLOW: I think maybe that was
5 Ms. Anderl's statement, not the witness's statement, but
6 you may be right. But I think that's where I'm driving,
7 yes, is to try to figure out what the source is. It's
8 what's in the cost studies basically, one single kind of
9 technology or multiple technologies.

10 MS. ANDERL: And, Your Honor, I guess that's
11 the point of my objection. Is Mr. Harlow is trying to
12 find out what's in the cost studies that computed the
13 \$18.16 average loop rate, or is Mr. Harlow trying to
14 find out what's in the cost studies where Qwest's
15 testimony is that Qwest developed the percentages of
16 feeder investment and distribution drop investment as
17 Ms. Million describes in her Exhibit 1001, page 12,
18 lines two and three? So the confusion and my objections
19 are stemming from my belief that he's exploring the
20 \$18.16 loop price, and I just don't think that that's
21 where we are.

22 JUDGE BERG: Mr. Harlow, what I need for you
23 to do is to tie in these questions to something in the
24 exhibits that this witness is sponsoring. I understand
25 that you're exploring what technologies were considered

01921

1 in driving these numbers as to whether or not, in fact,
2 this is or isn't TELRIC. But as far as this witness
3 goes, I think if you can look at the cost studies and
4 identify what was in the cost studies or what wasn't, it
5 would be more productive. Otherwise, I think you can
6 deal with the technical witness and deal with whether or
7 not these things exist in the system. And if they don't
8 exist within the system, being the network rather, then
9 obviously they're not part of the cost studies.

10 MR. HARLOW: Let me try to do that, Your
11 Honor.

12 JUDGE BERG: All right.

13 BY MR. HARLOW:

14 Q. Ms. Million, that requires us to jump ahead
15 to your rebuttal testimony, February 7th of this year,
16 page 38.

17 CHAIRWOMAN SHOWALTER: Is this Exhibit 1009?

18 MR. HARLOW: Yes.

19 BY MR. HARLOW:

20 Q. Do you have page 38 in front of you?

21 A. Yes, I do.

22 Q. And at the top of page 38, you state that
23 Qwest didn't file a cost study for line sharing over DLC
24 or digital loop carrier because Qwest has been unable to
25 define the element; do you recall that testimony?

01922

1 A. Yes.

2 Q. Okay. Did Qwest make any effort to define
3 the element for costing purposes?

4 A. I believe that there are discussions ongoing
5 currently to try to determine exactly what that product
6 is going to look like. You could certainly explore that
7 with, again, with one of our product witnesses, but the
8 efforts to try to determine what a DLC line sharing is
9 going to look like are ongoing as far as I understand.
10 And when the product gets defined, we will produce a
11 cost study for it.

12 Q. When you say a product witness, who would
13 that be?

14 A. It would be Ms. Brohl.

15 Q. Are you involved in any of these discussions
16 regarding the development of the line sharing product?

17 A. No, I am not.

18 Q. If you were to be provided with a product
19 definition by Ms. Brohl or someone else within the
20 company that offered two different possible means of
21 providing the product, let's say again the example we
22 were talking about is DSL service, DSL line sharing
23 service over a fiber fed loop, how would you go about
24 costing that if there were two different technologies,
25 two different architectures for providing it?

01923

1 A. Well, it would depend. There are a couple of
2 ways that you can do that. Either you can develop
3 individually two different prices for the two different
4 ways, or you can develop what we call a blended rate,
5 which assumes how many times somebody is going to select
6 one versus how many times somebody is going to select
7 the other. It's a weighting similar to what we did with
8 the DSL architectures, and say here's one way you can do
9 it, here's another way you can do it, here's the
10 probability that either one of those is going to happen,
11 and you can develop a blended rate. And we have done
12 that both ways for different things. So it would
13 entirely depend on what we negotiate with the CLECs and
14 what our product management folks want to do with the
15 product. There are a lot of factors that influence
16 that.

17 Q. Assume that one of the two technologies costs
18 less on a per unit basis, the unit sold to the CLEC.

19 A. That's usually the case with blended
20 offerings.

21 Q. Okay.

22 A. One costs more, one costs less.

23 Q. Why wouldn't you pick the lowest cost
24 technology?

25 A. Because we have two different ways that it's

01924

1 offered, and they have two very different costs.

2 Q. So in other words, you would base it on the
3 existing technology in the Qwest network?

4 A. Not necessarily. We would base it on the way
5 that we're going to offer the product and the way that
6 we're going -- if the way that we're going to offer the
7 product is two different ways, then we will cost two
8 different things. I'm not sure I'm understanding your
9 point.

10 Q. Okay, well, what would drive your assumption
11 about the way that Qwest is going to offer the product?

12 A. What the CLECs are asking for in some
13 instances.

14 Q. Assume the CLECs are asking for a
15 functionality rather than a technology and they want the
16 lowest cost available; one technology costs less on a
17 per unit basis.

18 A. If that's a technology that we are intending
19 to deploy, then certainly that would be something that
20 we would price out. If it's not a technology that we're
21 going to deploy in the foreseeable future, then no,
22 you're not going to get that as a price. You're going
23 to get what we deploy.

24 Q. Who is it that determines which technology to
25 deploy?

01925

1 A. That comes from product management. It also
2 comes from again negotiations with the CLECs. It comes
3 from in some cases our network people.

4 Q. If you would turn back to your direct
5 testimony, please, Exhibit 1001, at about page 14. The
6 question is on page 14, and the answer is on page 15.
7 Excuse me, the question is on page 13, and the answer is
8 on page 14 regarding rates for loop conditioning.

9 A. Yes.

10 Q. Do you have that in front of you?

11 A. Yes, I do.

12 Q. Okay. And you state to the effect that the
13 rates have already been submitted pursuant to the
14 Commission's 25th Supplemental Order in docket
15 UT-960369; do you see that?

16 A. Yes.

17 MR. HARLOW: Your Honor, could we go off the
18 record for a moment for a procedural question?

19 JUDGE BERG: Yes, off the record.

20 (Discussion off the record.)

21 MR. HARLOW: Thank you, Your Honor. Okay, we
22 have distributed a copy of the 25th Supplemental Order
23 of this Commission in Docket UT-960369.

24 BY MR. HARLOW:

25 Q. And in your testimony, Exhibit 1001, were you

01926

1 referring to Paragraph 103 of the order?

2 A. Yes, I believe I was.

3 Q. And this was authorizing Qwest to charge loop
4 conditioning rates submitted in compliance filings?

5 A. Yes.

6 Q. Do you have a working understanding of those
7 rates?

8 A. I don't know off the top of my head what they
9 are.

10 Q. Would you accept subject to check that the
11 rate for cable unloading is \$304.12 for a 25 pair binder
12 group?

13 MS. ANDERL: We can accept that, Your Honor.

14 Q. And are you aware if there was any -- if
15 there is anything in that compliance filing, any charge
16 for unloading a single pair?

17 A. I'm not aware, and I was not involved in that
18 proceeding, and so I don't really know what the basis
19 for that charge was.

20 Q. Is there anything that you can point to in
21 the 25th Supplemental Order that suggests to you that
22 the Commission did not intend to address further how to
23 spread the charge for unloading a 25 pair binder group
24 in instances when a CLEC or a DLEC did not want all 25
25 pairs at a time?

01927

1 A. Well, I guess I don't see anything that says
2 that they weren't going to address it. I don't see
3 anything that says that they were. What I see is that
4 they ordered the loop conditioning rates that we had
5 submitted, and we didn't feel as though that needed to
6 be addressed again. If it does, I guess that's what
7 you're going to present.

8 Q. I take it you didn't address it in your
9 rebuttal testimony?

10 A. No.

11 Q. Are you aware that any other Qwest witness
12 addressed spreading that charge out?

13 A. I'm not.

14 Q. If you would turn, please, to page 15 of your
15 direct testimony.

16 A. (Complies.)

17 Q. And I wonder if you could explain lines 7
18 through 13 a little better. I'm having difficulty
19 understanding it.

20 A. Well, what it says is that we had two
21 different types of dark fiber. We had interoffice dark
22 fiber that we were pricing, which was priced on a per
23 mile basis the way that interoffice transport is priced.
24 And then we had unbundled dark fiber in the loop, which
25 was priced on the same basis that we -- that we would --

01928

1 using some of the same assumptions that you would use
2 about a loop.

3 And what it says is that while you might have
4 fiber within 12 kilofeet of the office, and a CLEC might
5 be able to access that because there might be a
6 technically feasible point within 12 kilofeet of the
7 central office, we modeled it the way that we model a
8 loop, which assumes that you have a 12 kilofeet
9 crossover point between copper and fiber. Because the
10 least cost technology in the loop for under 12 kilofeet
11 is copper. And so that was the assumption made in
12 modeling this, but that doesn't preclude the fact that
13 there may be fiber existing within 12 kilofeet, and a
14 CLEC might be able to access that within that distance.

15 Q. Does the 12 kilofeet assumption impact the
16 cost of unbundled dark fiber?

17 A. The 12 kilofeet assumption certainly is a
18 part of what goes into the cost. I'm not sure how to
19 answer that other than to say that's one of the
20 assumptions that goes into determining how much fiber
21 there is and what the cost is for that fiber.

22 Q. Has Qwest submitted any -- oh, we already
23 covered that.

24 Okay, turn, please, to your rebuttal
25 testimony again, Exhibit 1009, and in particular page

01929

1 18, where you discuss the impact of the Eighth Circuit
2 decision, the most recent Eighth Circuit decision.

3 A. Yes.

4 Q. And my understanding of your testimony is
5 that the Eighth Circuit decision is the law even though
6 it was stayed?

7 A. Well, I guess what I'm saying there is that
8 the Eighth Circuit Court tells us that it's the law in
9 the sentence that says:

10 Notwithstanding this turn of events, our
11 decision in Iowa Utilities II is not
12 vacated, remains the law, and requires
13 vacatur of the 252 agreement reached in
14 this case.

15 Q. Do Qwest cost studies in this case follow the
16 Eighth Circuit decision or the vacated FCC rule?

17 A. The Qwest cost studies we believe comply with
18 both, and let me explain why. We believe that the FCC
19 requires and allows you to consider the types of
20 facilities that you are going to deploy in your network,
21 and that's what we base our costs on are the facilities
22 that we either deploy today or that we are going to
23 deploy in the near future, and so that is a reality
24 based network and not a fantasy network. So we believe
25 that that complies both with what the Eighth Circuit is

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1 saying and with what the FCC rules require, which is a
2 forward looking technology.

3 Q. Does your answer reflect that you don't see
4 any difference between the Eighth Circuit standard and
5 the standard of the FCC rule?

6 A. I don't believe that they're mutually
7 exclusive.

8 Q. Are they the same?

9 A. No.

10 Q. How do they differ?

11 A. The FCC wording has allowed for some parties
12 to believe that that permits developing some sort of
13 fantasy network that doesn't exist, and we -- it's been
14 our position all the way along that our network should
15 be based on what we truly are going to deploy in the
16 network and what we're going to provide services over
17 and not something that may be out there but that we
18 don't use.

19 Q. So does this kind of go back to my question
20 that I asked you about assumptions for different
21 technologies to allow line sharing over digital loop
22 carrier, that your belief is that the appropriate way to
23 cost that is based on what Qwest plans to deploy?

24 A. Yes, absolutely.

25 Q. And you would not base your costing of that

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1 offering on the least cost technology that might be
2 available today?

3 A. Not if we're not going to use it.

4 Q. I would like to turn to page 35 of your
5 testimony, which addresses Dr. Cabe's now to be
6 withdrawn testimony regarding unbundled dark fiber. And
7 I just want to explore a little bit, and then we may
8 shortly defer with counsel's suggestion to a different
9 witness. But your testimony does allude to some changes
10 that are ongoing in Qwest plans regarding the terms and
11 conditions of dark fiber. Let me see if I can find that
12 for you unless you find it first.

13 A. Yes, on page 37 perhaps.

14 Q. Okay. What's your understanding of the
15 position that's either been developed or is in the
16 process of being developed?

17 A. I do not understand where that stands today.
18 I know that that's being addressed. Again, it's one of
19 those things that in our dynamic processes are being
20 addressed as we speak, and my understanding is that it's
21 very unlikely at this point that there would be a case
22 where we would exercise the take back provision, but I
23 don't know what the details are around that.

24 MR. HARLOW: Okay, I think you have a witness
25 that can address that, Ms. Anderl?

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1 MS. ANDERL: Yes, we do.

2 MR. HARLOW: Thank you.

3 BY MR. HARLOW:

4 Q. If you would refer, please, to Exhibit
5 C-1010, and right on page 1 of 415, you have developed
6 costs or prices for UNE-C. Do you see those, the
7 various prices?

8 A. Yes.

9 Q. Would these costs differ at all in a line
10 splitting scenario?

11 MS. ANDERL: Your Honor, I guess I will ask
12 counsel to clarify the question.

13 THE WITNESS: Yeah, please.

14 MS. ANDERL: Just very general.

15 JUDGE BERG: Sure, in terms of the word line
16 splitting, could you perhaps expand just --

17 MR. HARLOW: Certainly.

18 JUDGE BERG: Thank you.

19 BY MR. HARLOW:

20 Q. Assume that Qwest is providing the POTS,
21 plain old telephone service, the voice service, and that
22 let's say Covad is sharing the loop over which that
23 service, voice service, is being provided.

24 A. Yes.

25 Q. All right. If the customer decided to switch

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1 their voice service to say WorldCom over UNE-C, would
2 the costs, the nonrecurring costs for that be the same
3 as shown in Exhibit C-1010, or would it vary in this
4 line splitting arrangement?

5 A. Well, to the extent that we are offering
6 UNE-C to WorldCom, they get the entire loop. Now their
7 choice to then share that with somebody else is their
8 choice. They will pay for a UNE-C as far as I
9 understand right now. Unless product is developing some
10 other position on that, if WorldCom buys the UNE-C or
11 UNE-P loop, then that's what they buy, and that's what
12 they pay for. What their choice is about sharing that
13 is entirely up to them, I understand.

14 Q. All right. But there would be some activity
15 required by Qwest. Let's assume that WorldCom and Covad
16 made some arrangement, would the nonrecurring costs
17 change for you to change that line to, the voice
18 portion, to WorldCom?

19 A. Not that I know of. You still have to
20 provision an order and change service provider and the
21 same sorts of activities that happen in a UNE-C charge.
22 And that's UNE-C existing, it's not new service at that
23 point, so yes, as far as I know, it would be the UNE-C
24 nonrecurring charge.

25 Q. Have you submitted any cost studies yet for

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1 line splitting?

2 A. We don't have any cost studies for line
3 splitting. We don't believe that there are any charges
4 for line splitting that are different than the charges
5 that we have already submitted for line sharing and
6 other products.

7 Q. Are you aware if Qwest has any restrictions
8 on -- well, let me withdraw that and start over.

9 Do you know what Qwest's position would be on
10 line splitting over -- how do I phrase this the right
11 way.

12 Would Qwest allow line, to your knowledge,
13 would Qwest allow line splitting if the service were
14 resold, a resold service as opposed to a UNE-C service?

15 A. You know, like I said, all we have provided
16 are costs for line sharing. Those questions really
17 would better be directed to a product witness such as
18 Ms. Brohl who is up to speed and up to date on what's
19 happening with the line sharing product generally.

20 Q. Do you have any knowledge as to whether or
21 not the costs, the nonrecurring costs in that
22 hypothetical scenario, assuming Ms. Brohl can address
23 it, would be any different than shown for the UNE-Cs?

24 MS. ANDERL: Before the witness attempts to
25 answer that, could we get a clarification as to what the

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1 hypothetical is.

2 Q. The hypothetical is that Covad is going to do
3 line splitting with a customer, customer is a voice
4 provider, and the voice provider is a resaler of let's
5 say Centrex Services.

6 A. Well, again, the resaler will have already
7 paid the CTC charge to become the resaler of that
8 service. Then again, if they choose to allow Covad to
9 line share with them or line split with them, we have
10 put forth costs for line sharing that include whatever
11 the installation charges are associated with line
12 sharing or line splitting. But there -- it has nothing
13 to do with the UNE-C nonrecurring charge at that point.

14 MR. HARLOW: Your Honor, I can probably come
15 back at 9:30 tomorrow and tell you I'm done, but this
16 would be a good time to break. I would like to review
17 my notes just to be sure of that.

18 JUDGE BERG: Well, I did have it in my notes
19 to try and finish with your direct today, but if that's
20 all you're looking at is maybe some pickup in the
21 morning, Mr. Harlow, I think that would be a good time
22 to break. But if you actually had another five or ten
23 minutes --

24 MR. HARLOW: I don't think I do.

25 JUDGE BERG: All right, fair enough.

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E X A M I N A T I O N

3 BY CHAIRWOMAN SHOWALTER:

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Q. I would like to ask a clarifying question.

5

Is there a reason you or we are using the term UNE-C instead of UNE-P; are they identical in your minds, your mind? Do you have two minds, one is C, and one is P?

6

7

A. Yes, I think when we first submitted the UNE,

8

what we now refer to as the UNE platform in Washington

9

was probably the first place that we had actually

10

submitted the UNE-C, and it got that label then, and it

11

has since changed to UNE-P. And my understanding is

12

that this would be interchangeable with regard to POTS

13

with UNE-P. Now I do believe that we have an offering

14

that we refer to as a UNE combination, which is a

15

product that we haven't submitted here, because we

16

hadn't developed it at the time.

17

Q. Okay, but there's no particular significance

18

to using UNE-C as a term as opposed to UNE-P?

19

A. NO.

20

Q. We're talking about the same thing?

21

A. Correct.

22

CHAIRWOMAN SHOWALTER: All Right, thanks.

23

JUDGE BERG: All right, then let's be off the

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record.

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1 (Discussion off the record.)

2 JUDGE BERG: After discussion with the
3 parties off the record, the hearing is adjourned for the
4 afternoon, and counsel will be present at 9:00 tomorrow
5 morning to begin settling in. We will take care of some
6 administrative matters. The commissioners will take the
7 Bench with us at 9:30.

8 (Hearing adjourned at 5:20 p.m.)

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